Maximum Offering of 160,000,000 Common Shares

INVESTMENTS®

FS MULTI-ALTERNATIVE INCOME FUND

Statement of Additional Information

August 5, 2019

FS Multi-Alternative Income Fund (the "Fund") is a Delaware statutory trust that is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, closed-end management investment company and operates as an interval fund. The Fund makes investments as described in the Fund's prospectus dated August 5, 2019, as may be supplemented from time to time (the "Prospectus"), which is incorporated herein by reference, with the proceeds it receives from the sale of common shares of beneficial interest (all classes of the Fund's common shares of beneficial interest are collectively referred to in this Statement of Additional Information as "Shares"). There can be no assurance that the Fund will achieve its investment objective.

This Statement of Additional Information (this "Statement of Additional Information") is not a prospectus and is authorized for distribution to prospective investors only if preceded or accompanied by the Prospectus. This Statement of Additional Information should be read in conjunction with the Prospectus, a copy of which may be obtained upon request and without charge by writing to the Fund at 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112, by calling the Fund collect at (215) 495-1150 or by accessing the Fund's "Literature" page on FS Investments' website at *www.fsinvestments.com*. The information on FS Investments' website is not incorporated by reference into this Statement of Additional Information and investors should not consider it a part of this Statement of Additional Information. The Prospectus, and other information about the Fund, is also available on the U.S. Securities and Exchange Commission's (the "SEC") website at *http://www.sec.gov*. The address of the SEC's website is provided solely for the information of prospective investors and is not intended to be an active link.

Capitalized terms used but not defined in this Statement of Additional Information have the meanings ascribed to them in the Prospectus.

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INVESTMENT OBJECTIVE, POLICIES AND RISKS

The following disclosure supplements the disclosure set forth under the caption “Types of Investments and Related Risks” in the Prospectus and does not, by itself, present a complete or accurate explanation of the matters disclosed. Prospective investors must refer also to “Types of Investments and Related Risks” in the Prospectus for a complete presentation of the matters disclosed below.

Bank Loans and Participations

The Fund’s investment program may include bank loans and participations. These obligations are subject to unique risks, including (i) the possible avoidance of an investment transaction as a “preferential transfer,” “fraudulent conveyance” or “fraudulent transfer,” among other avoidance actions, under relevant bankruptcy, insolvency and/or creditors’ rights laws, (ii) so-called “lender liability” claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations and (v) the contractual nature of participations where the Fund takes on the credit risk of the agent bank rather than the actual borrower. Bank loans and participations may not be deemed to be “securities” under the federal securities laws of the United States and therefore may not be subject to the protections included in such laws.

The Fund may acquire interests in loans either directly (by way of assignment) or indirectly (by way of participation). The Fund typically acquires loans by assignment, but may in some instances purchase loans by participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the loan agreement with respect to the loan; however, its rights can be more restricted than those of the assigning institution. Participation in a portion of a loan typically results in a contractual relationship only with the institution participating out the interest and not with the obligor. The Fund would, in such a case, have the right to receive payments of principal and interest to which it is entitled only from the institution selling the participation, and not directly from the obligor, and only upon receipt by such institution of such payments from the obligor. As the owner of a participation, the Fund generally will have no right to enforce compliance by the obligor with the terms of the loan agreement or to vote on amendments to the loan agreement, nor any rights of set-off against the obligor, and the Fund may not directly benefit from collateral supporting the loan in which it has purchased the participation. In addition, in the event of the insolvency of the selling institution, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the applicable loan. Consequently, the Fund will assume the credit risk of both the obligor and the institution selling the participation to the Fund. As a result, concentrations of participations from any one selling institution subject the Fund to an additional degree of risk with respect to defaults by such selling institution.

Fixed-Income Instruments

The Fund invests in fixed-income instruments, such as high-yield corporate debt securities or bonds. Corporate bonds and other fixed-income instruments are typically originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the “Underwriter”) for a group of investors (“Bond Investors”). In secured fixed-income instrument offerings, an institution, typically but not always an agent affiliated with the Underwriter, holds any collateral on behalf of the Bond Investors. The Fund may purchase fixed-income instruments either directly from the Underwriter or from a Bond Investor.

An issuer of fixed-income instruments must typically comply with the terms contained in a note purchase agreement or indenture between the issuer and the holders of the instruments (the “Bond Agreement”). These Bond Agreements generally detail the schedule of payments and also place certain restrictive financial and other covenants on the issuer, similar to those in loan agreements. A trustee typically administers and enforces the terms of the Bond Agreement and the fixed-income instrument on behalf of all holders of the instrument.

The rights of holders of high-yield corporate debt securities or bonds are generally subordinate to any existing senior or secured lenders in the issuer’s capital structure and are structurally subordinated to the rights of any existing or future lenders to an issuer's subsidiaries that do not guarantee the high-yield corporate debt securities or bonds, and thus have a lower priority in payment than such lenders.

Debtor-in-Possession ("DIP") Loans

The Fund may invest in or extend loans to companies that have filed for protection under Chapter 11 of the United States Bankruptcy Code. These DIP loans are most often working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally viewed as less risky than many other types of loans as a result of their seniority in the debtor's capital structure, their underlying collateral and because their terms will have been approved by a federal bankruptcy court order, the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay the DIP loan.

Lender Liability

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors or (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). The Fund does not intend to engage in conduct that would form the basis for a successful cause of action based upon the equitable subordination doctrine; however, because of the nature of the debt obligations, the Fund may be subject to claims from creditors of an obligor that debt obligations of such obligor which are held by the Fund should be equitably subordinated.

Restricted and Illiquid Securities

The Fund may not be able to readily dispose of illiquid securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations.

The Fund may purchase certain securities eligible for resale to qualified institutional buyers as contemplated by Rule 144A under the Securities Act (such securities, "Rule 144A Securities"). Rule 144A provides an exemption from the registration requirements of the Securities Act for the resale of certain restricted securities to certain qualified institutional buyers. One effect of Rule 144A is that certain restricted securities may be considered liquid, though no assurance can be given that a liquid market for Rule 144A Securities will develop or be maintained. However, where a substantial market of qualified institutional buyers has developed for certain unregistered securities purchased by the Fund pursuant to Rule 144A under the Securities Act, the Fund intends to treat such securities as liquid securities in accordance with procedures approved by the Board. Because it is not possible to predict with assurance how the market for Rule 144A Securities will develop, the Board directs FS Multi-Alternative Advisor and the Sub-Advisers collectively, the "Advisers"), or to carefully monitor the Fund's investments in such securities with particular regard to trading activity, availability of reliable price information and other relevant information. To the extent that, for a period of time, qualified institutional buyers cease purchasing restricted securities pursuant to Rule 144A, the Fund's investing in such securities may have the effect of increasing the level of illiquidity in its investment portfolio during such period.

Collateralized Debt Obligations ("CDOs")

The Fund may invest in CDOs, which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other securitized products. CDOs are types of asset-backed securities. The risks of an investment in a CDO depend largely on the type of collateral securities and the class of the CDO in which the Fund invests. Normally, CDOs, including CBOs, CLOs and other securitized products are privately offered and sold, and thus are not registered under the securities laws. As a result, investments in CDOs may be characterized by the Fund as illiquid securities. However, an active dealer market may exist for CDOs, allowing a CDO to qualify for transactions under Rule 144A of the Securities Act. In addition to the normal risks associated with fixed income securities and asset-backed securities generally discussed elsewhere in this Statement of Additional Information, CDOs carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the risk that the collateral may default or decline in value or be downgraded, if rated by a nationally recognized statistical rating organization; (iii) the Fund is likely to invest in tranches of CDOs that are subordinate to other tranches; (iv) the structure and complexity of the transaction and the legal documents could lead to disputes among investors regarding the characterization of proceeds; (v) the investment return achieved by the Fund could be significantly different than those predicted by financial models; (vi) the lack of a readily available secondary market for CDOs; (vii) risk of forced “fire sale” liquidation due to technical defaults such as coverage test failures; and (viii) the CDO’s manager may perform poorly.

Structured Products Risk. The Fund may invest in structured products, consisting of CLOs and credit-linked notes. CLOs and structured products are generally backed by an asset or a pool of assets (often senior secured loans and other credit-related assets in the case of a CLO) that serve as collateral. Holders of structured products bear the risks, including credit risk, of the underlying investments, index or reference obligation and are subject to prepayment and counterparty risks.

In some instances, such as in the case of most CLOs, structured products are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches.

The Fund may have the right to receive payments only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to be securitized. While certain structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same securities, investors in structured products generally pay their share of the structured product’s administrative and other expenses. Although it is difficult to predict whether the prices of indices and securities underlying structured products will rise or fall, these prices (and, therefore, the prices of structured products) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. If the issuer of a structured product uses shorter-term financing to purchase longer-term securities, the issuer may be forced to sell its securities at below market prices if it experiences difficulty in obtaining short-term financing, which may adversely affect the value of the structured products owned by the Fund.

Certain structured products may be thinly traded or have a limited trading market. CLOs and credit-linked notes are typically privately offered and sold. Structured products, and particularly subordinated interests thereof, are less liquid than many other types of securities and may be more volatile than the underlying assets. As a result, investments in CLOs and credit-linked notes may be subject to liquidity risk and may be characterized by the Fund as illiquid securities. In addition to the general risks associated with debt securities discussed herein, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) the fact that investments in CLO equity and junior debt tranches will likely be subordinate to other senior classes of CLO debt; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

In addition, changes in the collateral held by a CLO may cause payments on the instruments the Fund holds to be reduced, either temporarily or permanently. Further, the performance of a CLO or other structured products will be affected by a variety of factors, including the security’s priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. There are also the risks that the trustee of a CLO does not properly carry out its duties to the CLO, potentially resulting in loss to the CLO. In addition, the complex structure of the security may produce unexpected investment results, especially during times of market stress or volatility.

Rights Offerings and Warrants to Purchase

The Fund may participate in rights offerings and may purchase warrants, which are privileges issued by corporations enabling the owners to subscribe for and purchase a specified number of shares of the corporation at a specified price during a specified period of time. Subscription rights normally have a short life span to expiration. The purchase of rights or warrants involves the risk that the Fund could lose the purchase value of a right or warrant if the right to subscribe for additional shares is not exercised prior to the right's or warrant's expiration. Also, the purchase of rights and/or warrants involves the risk that the effective price paid for the right and/or warrant added to the subscription price of the related security may exceed the value of the related security's market price such as when there is no movement in the level of the underlying security.

Equity Securities

In addition to common stock, the Fund may invest in other equity securities, including preferred stock, convertible securities and depositary receipts.

Preferred Stock. Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of the issuer's preferred stock than in more senior credit securities with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Convertible Securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to nonconvertible income securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers, but lower yields than comparable nonconvertible securities. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument.

Depositary Receipts. The Fund may hold investments in sponsored and unsponsored ADRs, EDRs, GDRs and other similar global instruments. ADRs typically are issued by a U.S. bank or trust company and evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, which are sometimes referred to as continental depositary receipts, are receipts issued in Europe, typically by non-U.S. banks and trust companies, that evidence ownership of either non-U.S. or domestic underlying securities. GDRs are depositary receipts structured like global debt issues to facilitate trading on an international basis. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such instruments were sponsored by the issuer. Investments in ADRs, EDRs and GDRs present the additional investment considerations of non-U.S. securities.

Cash Equivalents and Short-Term Debt Securities

For temporary defensive purposes, the Fund may invest up to 100% of its assets in cash equivalents and short-term debt securities. Short-term debt securities are defined to include, without limitation, the following:

(1) U.S. government securities, including bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities. U.S. government securities include securities issued by: (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration and Government National Mortgage Association, the securities of which are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks and Tennessee Valley Authority, the securities of which are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association, the securities of which are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, the securities of which are supported only by its credit. While the U.S. government provides financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. government, its agencies and instrumentalities do not guarantee the market value of their securities. Consequently, the value of such securities may fluctuate. The economic crisis in the United States during 2008 and 2009 negatively impacted government-sponsored entities, which experienced extreme volatility, and in some cases, a lack of liquidity. The Advisers will monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's investment objectives, but there can be no assurance that it will be successful in doing so.

(2) Certificates of deposit issued against funds deposited in a bank or a savings and loan association. Such certificates are for a definite period of time, earn a specified rate of return and are normally negotiable. The issuer of a certificate of deposit agrees to pay the amount deposited plus interest to the bearer of the certificate on the date specified thereon. Certificates of deposit purchased by the Fund may not be fully insured by the Federal Deposit Insurance Corporation.

(3) Repurchase agreements, which involve purchases of debt securities. At the time the Fund purchases securities pursuant to a repurchase agreement, it simultaneously agrees to resell and redeliver such securities to the seller, who also simultaneously agrees to buy back the securities at a fixed price and time. This assures a predetermined yield for the Fund during its holding period, since the resale price is always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for the Fund to invest temporarily available cash. The Fund may enter into repurchase agreements only with respect to obligations of the U.S. government, its agencies or instrumentalities; certificates of deposit; or bankers' acceptances in which the Fund may invest. Repurchase agreements may be considered loans to the seller, collateralized by the underlying securities. The risk to the Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date; in the event of default, the repurchase agreement provides that the Fund is entitled to sell the underlying collateral. If the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, the Fund could incur a loss of both principal and interest. The Advisers will monitor the value of the collateral at the time the action is entered into and at all times during the term of the repurchase agreement. The Advisers will do so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to the Fund. If the seller were to be subject to a federal bankruptcy proceeding, the ability of the Fund to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

(4) Commercial paper, which consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations. Master demand notes are direct lending arrangements between the Fund and a corporation. There is no secondary market for such notes. However, they are redeemable by the Fund at any time. The Advisers will consider the financial condition of the corporation (*e.g.*, earning power, cash flow and other liquidity ratios) and will continuously monitor the corporation's ability to meet all of its financial obligations, because the Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the highest categories by a major rating agency and which mature within one year of the date of purchase or carry a variable or floating rate of interest.

Risks of Foreign Investments

Investments in foreign issuers or securities principally traded outside the United States may involve special risks due to foreign economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation, nationalization or confiscatory taxation of assets, and possible difficulty in obtaining and enforcing judgments against foreign entities. The Fund may be subject to foreign taxation on realized capital gains, dividends or interest payable on foreign securities, on transactions in those securities and on the repatriation of proceeds generated from those securities. Transaction-based charges are generally calculated as a percentage of the transaction amount and are paid upon the sale or transfer of portfolio securities subject to such taxes. Any taxes or other charges paid or incurred by the Fund in respect of its foreign securities will reduce the Fund's yield.

In addition, the tax laws of some foreign jurisdictions in which the Fund may invest are unclear and interpretations of such laws can change over time. As a result, to comply with guidance related to the accounting and disclosure of uncertain tax positions under generally accepted accounting principles ("GAAP"), the Fund may be required to accrue for book purposes certain foreign taxes in respect of its foreign securities or other foreign investments that it may or may not ultimately pay. Such tax accruals will reduce the Fund's NAV at the time accrued, even though, in some cases, the Fund ultimately will not pay the related tax liabilities. Conversely, the Fund's NAV will be increased by any tax accruals that are ultimately reversed.

Issuers of foreign securities are subject to different, often less comprehensive, accounting, custody, reporting and disclosure requirements than U.S. issuers. The securities of some foreign governments, companies and securities markets are less liquid, and at times more volatile, than comparable U.S. securities and securities markets. Foreign brokerage commissions and related fees also are generally higher than those in the United States. Investments in foreign securities also may be affected by different custody and/or settlement practices or delayed settlements in some foreign markets. The laws of some foreign countries may limit the Fund's ability to invest in securities of certain issuers located in those countries. Foreign countries may have reporting requirements with respect to the ownership of securities, and those reporting requirements may be subject to interpretation or change without prior notice to investors. No assurance can be given that the Fund will satisfy applicable foreign reporting requirements at all times.

When-Issued and Forward Commitment Securities

The Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis to acquire the security or to hedge against anticipated changes in interest rates and prices. When such transactions are negotiated, the price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but the Fund will enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities, as the case may be. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it might incur a gain or loss. At the time the Fund enters into a transaction on a when-issued or forward commitment basis, it will designate on its books and records cash or liquid credit securities equal to at least the value of the when-issued or forward commitment securities, unless future SEC staff guidance permits designation or segregation to a lesser extent. The value of these assets will be monitored daily to ensure that their marked-to-market value will at all times equal or exceed the corresponding obligations of the Fund. There is always a risk that the securities may not be delivered and that the Fund may incur a loss. Settlements in the ordinary course, which may take substantially more than five business days, are not treated by the Fund as when-issued or forward commitment transactions and accordingly are not subject to the foregoing restrictions.

Securities purchased on a forward commitment or when-issued basis are subject to changes in value (generally changing in the same way, *i.e.*, appreciating when interest rates decline and depreciating when interest rates rise) based upon the public's perception of the creditworthiness of the issuer and changes, actual or anticipated, in the level of interest rates. Securities purchased on a forward commitment or when-issued basis may expose the Fund to risks because they may experience such fluctuations prior to their actual delivery. Purchasing securities on a when-issued basis can involve the additional risks that the yield available in the market when the delivery takes place actually may be higher than that obtained in the transaction itself. Purchasing securities on a forward commitment or when-issued basis when the Fund is fully invested may result in greater potential fluctuation in the Fund's NAV.

The risks and effect of settlements in the ordinary course on the Fund's NAV are not the same as the risks and effect of when-issued and forward commitment securities.

The purchase price of when-issued and forward commitment securities are expressed in yield terms, which reference a floating rate of interest, and is therefore subject to fluctuations of the security's value in the market from the date of the Fund's commitment (the "Commitment Date") to the date of the actual delivery and payment for such securities (the "Settlement Date"). There is a risk that, on the Settlement Date, the Fund's payment of the final purchase price, which is calculated on the yield negotiated on the Commitment Date, will be higher than the market's valuation of the security on the Settlement Date. This same risk is also borne if the Fund disposes of its right to acquire a when-issued security, or its right to deliver or receive, a forward commitment security, and there is a downward market movement in the value of the security from the Commitment Date to the Settlement Date. In some instances, no income accrues to the Fund during the period from the Commitment Date to the Settlement Date. On the other hand, the Fund may incur a gain if the Fund invests in when-issued and forward commitment securities and correctly anticipates the rise in interest rates and prices in the market.

The settlements of secondary market purchases of senior loans in the ordinary course, on a settlement date beyond the period expected by loan market participants (*i.e.*, T+7 for par loans and T+20 for distressed loans, in other words more than seven or twenty business days beyond the trade date, respectively) are subject to the delayed compensation mechanics prescribed by the Loan Syndications and Trading Association ("LSTA"). For par loans, income accrues to the buyer of the senior loan (the "Buyer") during the period beginning on the last date by which the senior loan purchase should have settled (T+7) to and including the actual settlement date. Should settlement of a par senior loan purchase in the secondary market be delayed beyond the T+7 period prescribed by the LSTA, the Buyer is typically compensated for such delay through a payment from the seller of the senior loan (this payment may be netted from the wire released on settlement date for the purchase price of the senior loan paid by the Buyer). In brief, the adjustment is typically calculated by multiplying the notional amount of the trade by the applicable margin in the Loan Agreement prorated for the number of business days (calculated using a year of 360 days) beyond the settlement period prescribed by the LSTA, plus any amendment or consent fees that the buyer should have received. Furthermore, the purchase of a senior loan in the secondary market is typically negotiated and finalized pursuant to a binding trade confirmation, and therefore, the risk of non-delivery of the security to the Fund is reduced or eliminated when compared with such risk when investing in when-issued or forward commitment securities.

Special Situations

The Fund invests in securities and other obligations of companies that are in special situations involving significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or new securities, the value of which may be less than the purchase price paid by the Fund for the securities or other financial instruments in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. The consummation of such transactions can be prevented or delayed by a variety of factors, including, but not limited to: (i) intervention of a regulatory agency; (ii) market conditions resulting in material changes in securities prices; (iii) compliance with any applicable bankruptcy, insolvency or securities laws; and/or (iv) the inability to obtain adequate financing. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund invests, there is a potential risk of loss by the Fund of its entire investment in such companies.

Certain Bankruptcy and Insolvency Issues

Some of the companies in which the Fund invests may be involved in complex bankruptcy or insolvency proceedings in the United States or elsewhere. There are a number of significant risks inherent in the bankruptcy or insolvency process. The Fund cannot guarantee the outcome of any bankruptcy or insolvency proceeding.

Under U.S. bankruptcy or other insolvency proceedings, the Fund may risk taking a loss on its investment and having its claim released or discharged against the debtor and third parties. For example, under a plan of reorganization, the Fund could receive a cash distribution for less than its initial investment or receive securities or other financial instruments in exchange for its claims, which then could be discharged and released against the debtor or other third parties. In addition, through U.S. bankruptcy proceedings, a debtor can effectuate a sale of assets with a purchaser acquiring such assets free and clear of any claims or liens underlying the Fund’s investment, with the Fund having only potential recourse to the proceeds of the sale.

Under certain circumstances, payments or grants of security to the Fund may be reclaimed, recharacterized or avoided if any such payment or grant is later determined by the applicable court to have been a fraudulent conveyance, fraudulent transfer, preferential payment or otherwise subject to avoidance under applicable law. In addition, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise “domination and control” of a debtor and other creditors can demonstrate that they have been harmed by such actions.

Many events in a bankruptcy are often beyond the control of the creditors. While creditors may be given an opportunity to object to or otherwise participate in significant actions, there can be no assurance that a court in the exercise of its broad powers or discretion would not approve actions that would be contrary to the interests of the Fund.

The duration of a bankruptcy or insolvency proceeding is difficult to predict. A creditor’s return on investment can be adversely impacted by delays while a plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until the plan ultimately becomes effective. Similar delays can occur while a court considers a sale or other restructuring transaction. In addition, the administrative costs in connection with a bankruptcy or insolvency proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to unsecured creditors or equity holders. If a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Also, in the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Further, certain claims that have priority by law (for example, claims for taxes) may be quite substantial.

The effect of a bankruptcy filing on or by a portfolio company may adversely and permanently affect the portfolio company. The portfolio company may lose its market position, going concern value and key employees and otherwise become incapable of restoring itself as a viable entity. If the proceeding is converted to a liquidation, the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist at the time of the investment.

Swap Risk. The Fund may also invest in credit default swaps, TRS and interest rate swaps, all of which are derivative instruments. In a TRS, the Fund pays the counterparty a floating short-term interest rate and receives in exchange the total return of underlying reference assets. The Fund bears the risk of changes in value in the underlying reference assets. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, such as an exchange of fixed-rate payments for floating rate payments.

In a credit default swap, the protection "buyer" may be obligated to pay the protection "seller" an upfront or a periodic stream of payments over the term of the contract, provided that no credit event on the reference obligation occurs. If a credit event occurs, the seller generally must pay the buyer the "par value" (full notional amount) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, or if the swap is cash settled the seller may be required to deliver the related net cash amount (the difference between the market value of the reference obligation and its par value). The credit default swap agreement may have as reference obligations one or more securities that are not currently held by the Fund. The Fund may be either the buyer or seller in the transaction. If the Fund is a buyer and no credit event occurs, the Fund will generally receive no payments from its counterparty under the swap if the swap is held through its termination date. However, if a credit event occurs, the buyer generally may elect to receive the full notional amount of the swap in exchange for an equal face amount of deliverable obligations of the reference entity, the value of which may have significantly decreased. As a seller, the Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap, which typically is between six months and three years, provided that there is no credit event. If a credit event occurs, generally the seller must pay the buyer the full notional amount of the swap in exchange for an equal face amount of deliverable obligations of the reference entity, the value of which may have significantly decreased. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its Managed Assets, the Fund would be subject to investment exposure on the notional amount of the swap.

Credit default swap agreements involve greater risks than if the Fund had taken a position in the reference obligation directly (either by purchasing or selling) since, in addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risks. A buyer generally will also lose its upfront payment or any periodic payments it makes to the seller counterparty and receive no payments from its counterparty should no credit event occur and the swap is held to its termination date. If a credit event were to occur, the value of any deliverable obligation received by the seller, coupled with the upfront or periodic payments previously received, may be less than the full notional amount it pays to the buyer, resulting in a loss of value to the seller. A seller of a credit default swap or similar instrument is exposed to many of the same risks of leverage since, if a credit event occurs, the seller generally will be required to pay the buyer the full notional amount of the contract net of any amounts owed by the buyer related to its delivery of deliverable obligations. The Fund's obligations under a credit default swap agreement will be accrued daily (offset against any amounts owed to the Fund). The Fund will at all times segregate or designate on its books and records in connection with each such transaction liquid assets or cash with a value at least equal to the Fund's exposure (any accrued but unpaid net amounts owed by the Fund to any counterparty) on a marked-to-market basis (as required by the clearing organization with respect to cleared swaps or as calculated pursuant to requirements of the SEC). If the Fund is a seller of protection in a credit default swap transaction, it will designate on its books and records in connection with such transaction liquid assets or cash with a value at least equal to the full notional amount of the contract. Such designation will ensure that the Fund has assets available to satisfy its obligations with respect to the transaction and will avoid any potential leveraging of the Fund's portfolio. Such designation will not limit the Fund's exposure to loss.

In addition, the credit derivatives market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the credit derivatives market could adversely affect the Fund's ability to successfully use credit derivatives.

The Fund would typically have to post collateral to cover its potential obligation under a swap. Swap transactions may be subject to market risk, liquidity risk, counterparty risk and risk of imperfect correlation between the value of such instruments and the underlying assets, and may involve commissions or other costs. When buying protection under a swap, the risk of loss with respect to the swap generally is limited to the net amount of payments that the Fund is contractually obligated to make. However, when selling protection under a swap, the risk of loss is often the notional value of the underlying asset, which can result in a loss substantially greater than the amount invested in the swap itself. The Fund will "cover" its swap positions by segregating or earmarking an amount of cash and/or liquid assets to the extent required by the 1940 Act and applicable SEC or SEC staff interpretations and guidance from time to time.

Swap agreements may be negotiated bilaterally and traded OTC between two parties or, in some instances, may be transacted through a futures commission merchant and cleared through a clearinghouse that serves as a central counterparty and may be exchange-traded. Certain risks are reduced (but not eliminated) if the Fund invests in cleared or exchange-traded swaps. Certain standardized swaps, including certain credit default swaps, are subject to mandatory clearing, and more are expected to be in the future. The counterparty risk for cleared derivatives is generally lower than for uncleared derivatives, but cleared contracts are not risk-free. However, clearing may subject the Fund to increased costs or margin requirements. There is no guarantee that a swap market will continue to provide liquidity. If FS Multi-Alternative Advisor and the Sub-Advisers are incorrect in their forecasts of market values, interest rates or currency exchange rates, the investment performance of the Fund would be less favorable than it would have been if these investment techniques were not used.

The Fund, to the extent permitted under applicable law, may enter into "swaptions," which are options on swap agreements on either an asset-based or liability-based basis. A swaption is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. The Fund may write (sell) and purchase put and call swaptions. Depending on the terms of the particular option agreement, the Fund generally will incur a greater degree of risk when it writes a swaption than it will incur when it purchases a swaption. When the Fund purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised. When the Fund writes a swaption, upon exercise of the option, the Fund will become obligated according to the terms of the underlying agreement and may incur a loss, which may be substantial.

Among the income producing securities in which the Fund may invest are credit-linked securities, which are issued by a limited purpose trust or other vehicle that, in turn, invests in a derivative or basket of derivatives, such as credit default swaps, interest rate swaps and other securities, in order to provide exposure to certain fixed income markets. For instance, the Fund may invest in credit-linked securities as a cash management tool in order to gain exposure to a certain market and/or to remain fully invested when more traditional income producing securities are not available.

Like an investment in a bond, investments in these credit-linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. However, these payments are conditioned on the issuer's receipt of payments from, and the issuer's potential obligations to, the counterparties to the derivatives and other securities in which the issuer invests. For instance, the issuer may sell one or more credit default swaps, under which the issuer would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the issuer would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that the Fund would receive. The Fund's investments in these instruments are indirectly subject to the risks associated with derivatives, including, among others, credit risk and leverage risk. There may be no established trading market for these securities and they may constitute illiquid investments.

The OTC derivatives markets have recently become subject to comprehensive statutes and regulations. In particular, in the United States, the Dodd-Frank Act requires that certain derivatives with U.S. persons must be executed on a regulated market and a substantial portion of OTC derivatives must be submitted for clearing to regulated clearinghouses. As a result, swap transactions entered into by the Fund may become subject to various requirements applicable to swaps under the Dodd-Frank Act, including clearing, exchange-execution, reporting and recordkeeping requirements, which may make it more difficult and costly for the Fund to enter into swap transactions and may also render certain strategies in which the Fund might otherwise engage impossible or so costly that they will no longer be economical to implement. Furthermore, the number of counterparties that may be willing to enter into swap transactions with the Fund may also be limited if the swap transactions with the Fund are subject to the swap regulation under the Dodd-Frank Act.

Credit default and TRS agreements may effectively add leverage to the Fund's portfolio because, in addition to its Managed Assets, the Fund would be subject to investment exposure on the notional amount of the swap. TRS agreements are subject to the risk that a counterparty will default on its payment obligations to the Fund thereunder. The Fund is not required to enter into swap transactions for hedging purposes or to enhance income or gain and may choose not to do so. In addition, the swaps market is subject to a changing regulatory environment. It is possible that regulatory or other developments in the swaps market could adversely affect the Fund's ability to successfully use swaps.

Options and Futures Risk. The Fund may utilize options and futures contracts and so-called "synthetic" options or other derivatives written by broker-dealers or other permissible Financial Intermediaries. Options transactions may be effected on securities exchanges or in the OTC market. When options are purchased OTC, the Fund's portfolio bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options may also be illiquid and, in such cases, the Fund may have difficulty closing out its position. OTC options also may include options on baskets of specific securities. The Fund will "cover" its options and futures positions by segregating or earmarking an amount of cash and/or liquid assets to the extent required by the 1940 Act and applicable SEC or SEC staff interpretations and guidance from time to time.

The Fund may purchase call and put options on specific securities, and may write and sell covered or uncovered call and put options for hedging purposes, or to seek to enhance income or gain, in pursuing its investment objective. A put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at a stated exercise price, typically at any time prior to the expiration of the option. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at a stated exercise price, typically at any time prior to the expiration of the option. A covered call option is a call option with respect to which the seller of the option owns the underlying security. The sale of a call option exposes the seller during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or to possible continued holding of a security that might otherwise have been sold to protect against depreciation in the market price of the security. A covered put option is a put option with respect to which cash or liquid assets have been placed in a segregated account, or earmarked, on the books of or with a custodian to fulfill the obligation undertaken. The sale of a put option exposes the seller during the term of the option to a decline in price of the underlying security while depriving the seller of the opportunity to invest the segregated or earmarked assets.

The Fund may close out a position when writing options by purchasing an option on the same security with the same exercise price and expiration date as the option that it has previously written on the security. In such a case, the Fund will realize a profit or loss if the amount paid to purchase an option is less or more than the amount received from the sale of the option.

Purchasing a futures contract creates an obligation to take delivery of the specific type of financial instrument at a specific future time at a specific price for contracts that require physical delivery, or net payment for cash-settled contracts. Engaging in transactions in futures contracts involves risk of loss to the Fund. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. All terms of futures contracts are set forth in the rules of the exchange on which the futures contracts are traded. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, preventing prompt liquidation of futures positions and potentially subjecting the Fund to substantial losses. Successful use of futures also is subject to FS Multi-Alternative Advisor's and the Sub-Advisers' ability to predict correctly the direction of movements in the relevant market, and, to the extent the transaction is entered into for hedging purposes, to determine the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

Warrants Risk. Warrants give holders the right, but not the obligation, to buy common stock of an issuer at a given price, usually higher than the market price at the time of issuance, during a specified period. The risk of investing in a warrant is that the warrant may expire prior to the market value of the common stock exceeding the price fixed by the warrant. Warrants have a subordinate claim on a borrower's assets compared with senior loans. As a result, the values of warrants generally are dependent on the financial condition of the borrower and less dependent on fluctuations in interest rates than are the values of many debt securities. The values of warrants may be more volatile than those of senior loans or corporate bonds and this may increase the volatility of the net asset value of the Shares.

Dividends. The Fund may invest in equity securities. Dividends relating to these equity securities may not be fixed, but may be declared at the discretion of a portfolio company's board of directors. There is no guarantee that a company in which the Fund invests will declare dividends in the future or that, if declared, the dividends will remain at current levels or increase over time. Therefore, there is the possibility that such companies could reduce or eliminate the payment of dividends in the future. Dividend producing equity securities, in particular those whose market price is closely related to their yield, may exhibit greater sensitivity to interest rate changes. The Fund's investments in dividend producing equity securities may also limit its potential for appreciation during a broad market advance.

The prices of dividend producing equity securities can be highly volatile. Investors should not assume that the Fund's investments in these securities will necessarily reduce the volatility of the Fund's NAV or provide "protection," compared to other types of equity securities, when markets perform poorly.

Growth Stock Risk. Securities of growth companies may be more volatile since such companies usually invest a high portion of earnings in their business, and they may lack the dividends of value stocks that can cushion stock prices in a falling market. Stocks of companies the Advisers believe are fast-growing may trade at a higher multiple of current earnings than other stocks. The values of these stocks may be more sensitive to changes in current or expected earnings than the values of other stocks. Earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth. If the Advisers' assessment of the prospects for a company's earnings growth is wrong, or if the Advisers' judgment of how other investors will value the company's earnings growth is wrong, then the price of the company's stock may fall or may not approach the value that FS Multi-Alternative Advisor has placed on it.

Value Stock Risk. The Advisers may be wrong in their assessment of a company's value and the stocks the Fund owns may not reach what the Advisers believe are their full values. A particular risk of the Fund's value stock investments is that some holdings may not recover and provide the capital growth anticipated or a stock judged to be undervalued may actually be appropriately priced. Further, because the prices of value-oriented securities tend to correlate more closely with economic cycles than growth-oriented securities, they generally are more sensitive to changing economic conditions, such as changes in interest rates, corporate earnings, and industrial production. The market may not favor value-oriented stocks and may not favor equities at all. During those periods, the Fund's relative performance may suffer.

New Issues Risk. "New Issues" are initial public offerings ("IPOs") of U.S. equity securities. Investments in companies that have recently gone public have the potential to produce substantial gains for the Fund. However, there is no assurance that the Fund will have access to profitable initial public offerings and therefore investors should not rely on any past gains from IPOs as an indication of future performance. The investment performance of the Fund during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when the Fund is able to do so. Securities issued in IPOs are subject to many of the same risks as investing in companies with smaller market capitalizations. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile or may decline shortly after the IPO. When an IPO is brought to the market, availability may be limited and the Fund may not be able to buy any shares at the offering price, or, if it is able to buy shares, it may not be able to buy as many shares at the offering price as it would like.

Preferred Securities Risk. The Fund may invest in two types of preferred securities, described below.

Preferred securities issued by an entity taxable as a corporation are generally referred to as traditional preferred securities. Traditional preferred securities generally pay fixed or adjustable rate dividends (or a combination thereof — e.g., a fixed rate that moves to an adjustable rate after some period of time) to investors and generally have a "preference" over common stock in the payment of dividends and the liquidation of a company's assets. This means that a company must pay dividends on preferred stock before paying any dividends on its common stock. In order to be payable, distributions on such preferred securities must be declared by the issuer's board of directors. Income payments on typical preferred securities currently outstanding are cumulative, causing dividends and distributions to accumulate even if not declared by the board of directors or otherwise made payable. In such a case all accumulated dividends must be paid before any dividend on the common stock can be paid. However, some traditional preferred stocks are non-cumulative, in which case dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by the Fund determine not to pay dividends on such stock, the amount of dividends the Fund pays may be adversely affected. There are no assurances that dividends or distributions on the traditional preferred securities in which the Fund may invest will be declared or otherwise made payable.

Preferred stockholders usually have no right to vote for corporate directors or on other matters. Shares of traditional preferred securities have a liquidation value that generally equals the original purchase price at the date of issuance. The market value of preferred securities may be affected by favorable and unfavorable changes impacting companies in the utilities and financial services sectors, which are prominent issuers of preferred securities, and by actual and anticipated changes in tax laws, such as changes in corporate income tax rates or the "Dividends Received Deduction." Because the claim on an issuer's earnings represented by traditional preferred securities may become onerous when interest rates fall below the rate payable on such securities, the issuer may redeem the securities. Thus, in declining interest rate environments in particular, the Fund's holdings of higher rate-paying fixed rate preferred securities may be reduced and the Fund may be unable to acquire securities of comparable credit quality paying comparable rates with the redemption proceeds.

The second type of preferred securities in which the Fund may invest are referred to as trust preferred securities. Trust preferred securities are a comparatively new asset class and are typically issued by corporations, generally in the form of interest-bearing notes with preferred security characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The trust preferred securities market consists of both fixed and adjustable coupon rate securities that are either perpetual in nature or have stated maturity dates.

Trust preferred securities are typically junior and fully subordinated liabilities of an issuer or the beneficiary of a guarantee that is junior and fully subordinated to the other liabilities of the guarantor. In addition, trust preferred securities typically permit an issuer to defer the payment of income for eighteen months or more without triggering an event of default. Generally, the deferral period is five years or more. Because of their subordinated position in the capital structure of an issuer, the ability to defer payments for extended periods of time without default consequences to the issuer, and certain other features (such as restrictions on common dividend payments by the issuer or ultimate guarantor when full cumulative payments on the trust preferred securities have not been made), these trust preferred securities are often treated as close substitutes for traditional preferred securities, both by issuers and investors. Trust preferred securities have many of the key characteristics of equity due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows.

Trust preferred securities include but are not limited to trust originated preferred securities ("TOPRS®"); monthly income preferred securities ("MIPS®"); quarterly income bond securities ("QUIBS®"); quarterly income debt securities ("QUIDS®"); quarterly income preferred securities ("QUIPS(SM)"); corporate trust securities ("CORTS®"); public income notes ("PINES®"); and other trust preferred securities.

Trust preferred securities are typically issued with a final maturity date, although some are perpetual in nature. In certain instances, a final maturity date may be extended and/or the final payment of principal may be deferred at the issuer's option for a specified time without default. No redemption can typically take place unless all cumulative payment obligations have been met, although issuers may be able to engage in open-market repurchases without regard to whether all payments have been paid.

Many trust preferred securities are issued by trusts or other special purpose entities established by operating companies and are not a direct obligation of an operating company. At the time the trust or special purpose entity sells such preferred securities to investors, it purchases debt of the operating company (with terms comparable to those of the trust or special purpose entity securities), which enables the operating company to deduct, for tax purposes, the interest paid on the debt held by the trust or special purpose entity. The trust or special purpose entity is generally required to be treated as transparent for U.S. federal income tax purposes such that the holders of the trust preferred securities are treated as owning beneficial interests in the underlying debt of the operating company. Accordingly, holders of trust preferred securities are treated as recognizing interest rather than dividends for U.S. federal income tax purposes. The trust or special purpose entity in turn would be a holder of the operating company's debt and would have priority with respect to the operating company's earnings and profits over the operating company's common shareholders, but would typically be subordinated to other classes of the operating company's debt. Typically, a preferred share has a rating that is slightly below that of its corresponding operating company's senior debt securities.

There are special risks associated with investing in each type of preferred security, including:

Deferral Risk. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Fund owns a preferred security that is deferring its distributions, the Fund may be required to report income for tax purposes although it has not yet received such income.

Subordination Risk. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than debt instruments.

Limited Voting Rights Risk. Generally, preferred security holders (such as the Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. In the case of trust preferred securities, holders generally have no voting rights, except if (i) the issuer fails to pay dividends for a specified period of time or (ii) a declaration of default occurs and is continuing.

Special Redemption Rights Risk. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by certain changes in U.S. federal income tax or securities laws. As with call provisions, a special redemption by the issuer may negatively impact the return of the security held by the Fund.

New Types of Securities Risk. From time to time, preferred securities, including trust preferred securities, have been, and may in the future be, offered having features other than those described herein. The Fund reserves the right to invest in these securities if FS Multi-Alternative Advisor believes that doing so would be consistent with the Fund's investment objective and policies. Since the market for these instruments would be new, the Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Convertible Securities Risk. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock or other equity security of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value," or determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege, and its "conversion value," or the security's worth, at market value, if converted into the underlying common stock. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. Although under normal market conditions longer-term convertible debt securities have greater yields than do shorter-term convertible debt securities of similar quality, they are subject to greater price fluctuations.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Fund's ability to achieve its investment objective.

A "synthetic" convertible security may be created by the Fund or by a third party by combining separate securities that possess the two principal characteristics of a traditional convertible security: an income producing component and a convertible component. The income-producing component is achieved by investing in non-convertible, income-producing securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in securities or instruments such as warrants or options to buy common stock at a certain exercise price, or options on a stock index. Unlike a traditional convertible security, which is a single security having a single market value, a synthetic convertible security comprises two or more separate securities, each with its own market value. Because the "market value" of a synthetic convertible security is the sum of the values of its income-producing component and its convertible component, the value of a synthetic convertible security may respond differently to market fluctuations than a traditional convertible security. The Fund also may purchase synthetic convertible securities created by other parties, including convertible structured notes. Convertible structured notes are income-producing debentures linked to equity. Convertible structured notes have the attributes of a convertible security; however, the issuer of the convertible note (typically an investment bank), rather than the issuer of the underlying common stock into which the note is convertible, assumes credit risk associated with the underlying investment and the Fund in turn assumes credit risk associated with the issuer of the convertible note.

Depositary Receipts. The Fund may hold investments in sponsored and unsponsored ADRs, EDRs, GDRs and other similar global instruments. ADRs typically are issued by a U.S. bank or trust company and evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, which are sometimes referred to as continental depositary receipts, are receipts issued in Europe, typically by non-U.S. banks and trust companies, that evidence ownership of either non-U.S. or domestic underlying securities. GDRs are depositary receipts structured like global debt issues to facilitate trading on an international basis. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such instruments were sponsored by the issuer. Investments in ADRs, EDRs and GDRs present the additional investment considerations of non-U.S. securities.

Sovereign Government and Supranational Debt Risk. Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. The cost of servicing external debt will also generally be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based upon international interest rates. Also, there can be no assurances that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event of default under commercial bank loan agreements. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted and the Fund may be unable to collect all or any part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt and increase the costs and expenses of the Fund.

U.S. Credit Rating and European Economic Crisis Risk. In August 2011, S&P lowered its long-term sovereign credit rating on the United States from "AAA" to "AA+," which was re-affirmed by S&P in November 2016. In January 2012, S&P lowered its long-term sovereign credit ratings for France, Italy, Spain and six other European countries, which negatively impacted global markets and economic conditions. S&P subsequently raised its long-term sovereign credit rating on Spain to "BBB," but its current credit rating still signifies significant ongoing risk. Furthermore, following the United Kingdom's referendum to leave the European Union ("EU"), S&P lowered its long-term sovereign credit rating. In addition, the terms of the United Kingdom's exit and any future referendums in other European countries may disrupt the global market. Recent U.S. budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns. The impact of any further downgrade to the U.S. government's sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. In addition, the economic downturn and the significant government interventions into the financial markets and fiscal stimulus spending over the last several years have contributed to significantly increased U.S. budget deficits. There can be no assurance that future fiscal or monetary measures to aid economic recovery will be effective. These developments and reactions of the credit markets to these developments could cause interest rates and borrowing costs to rise, which may negatively impact the Fund's ability to obtain debt financing on favorable terms. In addition, any adverse economic conditions resulting from any further downgrade of the U.S. government's sovereign credit rating or the economic crisis in Europe could have a material adverse effect on the Fund's business, financial condition and results of operations.

Eurozone and Redenomination Risk. The Fund may invest from time to time in European companies and companies that may be affected by the Eurozone economy. In June 2016, citizens of the United Kingdom voted to leave the EU in a popular referendum. As a result of the referendum, S&P downgraded the United Kingdom's credit rating from "AAA" to "AA" and the EU's credit rating from "AA+" to "AA" in the days that followed the vote. Other credit ratings agencies have taken similar actions. The United Kingdom sought to withdraw from the EU by invoking article 50 of the Lisbon Treaty in late March 2017, and is currently scheduled to withdraw from the EU on October 31, 2019. As a result of the political divisions within the United Kingdom and between the United Kingdom and the EU that the referendum vote has highlighted and the uncertain consequences of a Brexit, the economies of the United Kingdom and Europe as well as the broader global economy could be significantly impacted, which may cause increased volatility and illiquidity, and potentially lower economic growth on markets in the United Kingdom, Europe and globally that could potentially have an adverse effect on the value of a Fund's investments. Further, Brexit may cause other member states to contemplate departing the EU, which would likely perpetuate political and economic instability in the region and cause additional market disruption in global financial markets. In addition, ongoing concerns regarding the sovereign debt of various Eurozone countries, including the potential for investors to incur substantial write-downs, reductions in the face value of sovereign debt and/or sovereign defaults, as well as the possibility that one or more countries might leave the EU or the Eurozone create risks that could materially and adversely affect the Fund's investments. Sovereign debt defaults and EU and/or Eurozone exits could have material adverse effects on the Fund's investments in European companies, including, but not limited to, the availability of credit to support such companies' financing needs, uncertainty and disruption in relation to financing, increased currency risk in relation to contracts denominated in Euros and wider economic disruption in markets served by those companies, while austerity and/or other measures introduced in order to limit or contain these issues may themselves lead to economic contraction and resulting adverse effects for the Fund. Legal uncertainty about the funding of Euro-denominated obligations following any breakup or exits from the Eurozone, particularly in the case of investments in companies in affected countries, could also have material adverse effects on the Fund. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in Euros. To the extent a currency used for redenomination purposes is not specified in respect of certain Eurozone-related investments, or should the Euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. The Fund may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities.

Risks Associated with Recent Commodity Futures Trading Commission Rulemaking. FS Multi-Alternative Advisor will claim an exclusion from the definition of the term "commodity pool operator" in accordance with CFTC Regulation 4.5 so that FS Multi-Alternative Advisor is not subject to registration or regulation as a commodity pool operator ("CPO") under the Commodity Exchange Act (the "CEA") with respect to the Fund. In order to maintain the exclusion for FS Multi-Alternative Advisor, the Fund must invest no more than a prescribed level of its liquidation value in certain futures, certain swap contracts and certain other derivatives subject to the CEA's jurisdiction, and the Fund must not market itself as providing investment exposure to such instruments. If the Fund's investments no longer qualify FS Multi-Alternative Advisor for the exclusion, FS Multi-Alternative Advisor may be subject to the CFTC's CPO registration requirements with respect to the Fund, and the disclosure and operations of the Fund would need to comply with all applicable regulations governing commodity pools registered as investment companies under the 1940 Act and commodity pool operators. Compliance with the additional registration and regulatory requirements may increase operating expenses. Other potentially adverse regulatory initiatives could also develop.

Failure of Futures Commission Merchants and Clearing Organizations. The Fund may deposit funds required to margin open positions in the derivative instruments subject to the CEA with a clearing broker registered as a "futures commission merchant" ("FCM"). The CEA requires an FCM to segregate all funds received from customers with respect to any orders for the purchase or sale of U.S. domestic futures contracts and cleared swaps from the FCM's proprietary assets. Similarly, the CEA requires each FCM to hold in a separate secure account all funds received from customers with respect to any orders for the purchase or sale of foreign futures contracts and segregate any such funds from the funds received with respect to domestic futures contracts. However, all funds and other property received by a clearing broker from its customers are held by the clearing broker on a commingled basis in an omnibus account and may be invested by the clearing broker in certain instruments permitted under the applicable regulation. There is a risk that assets deposited by the Fund with any swaps or futures clearing broker as margin for futures contracts may, in certain circumstances, be used to satisfy losses of other clients of the Fund's clearing broker. In addition, the assets of the Fund may not be fully protected in the event of the clearing broker's bankruptcy, as the Fund would be limited to recovering only a *pro rata* share of all available funds segregated on behalf of the clearing broker's combined domestic customer accounts.

Similarly, the CEA requires a clearing organization approved by the CFTC as a derivatives clearing organization to segregate all funds and other property received from a clearing member's clients in connection with domestic futures, swaps and options contracts from any funds held at the clearing organization to support the clearing member's proprietary trading. Nevertheless, with respect to futures and options contracts, a clearing organization may use assets of a non-defaulting customer held in an omnibus account at the clearing organization to satisfy payment obligations of a defaulting customer of the clearing member to the clearing organization. As a result, in the event of a default or the clearing broker's other clients or the clearing broker's failure to extend own funds in connection with any such default, the Fund would not be able to recover the full amount of assets deposited by the clearing broker on its behalf with the clearing organization.

Litigation. From time to time, in the ordinary course of their operations, the Advisers and their affiliates may be subject to litigation and arbitration, which can be costly and divert significant portions of the Advisers' time and resources. Any litigation or arbitration could have a materially adverse effect on the Fund.

Systems Risks. The Fund depends on the Advisers to develop and implement appropriate systems for the Fund's activities. The Fund relies extensively on computer programs and systems to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, certain of the Fund's and the Advisers' operations interface with or depend on systems operated by third parties, including market counterparties and other service providers, and the Fund or the Advisers may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the Fund. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades and cause inaccurate reports, which may affect the Fund's ability to monitor its investment portfolio and its risks. Studies have shown that a lack of adequate systems is often a significant contributing factor to failures of funds like the Fund.

Purchase Price Risk. The purchase price at which an investor purchases Shares will be determined at each daily closing and will equal the NAV per Share of the applicable class as of such date, plus the applicable Sales Load. As a result, in the event of an increase in the Fund's NAV per Share of an applicable class, an investor's purchase price may be higher than the prior daily closing price per Share of the applicable class, and therefore an investor may receive fewer Shares than if an investor had subscribed at the prior daily closing price.

"Best-Efforts" Offering Risk. This Offering is being made on a best efforts basis, whereby the Distributor only required to use its best efforts to sell the Shares and has no firm commitment or obligation to purchase any of the Shares. To the extent that less than the maximum number of Shares is subscribed for, the opportunity for the allocation of the Fund's investments among various issuers and industries may be decreased, and the returns achieved on those investments may be reduced as a result of allocating all of the Fund's expenses over a smaller capital base.

Fluctuations in Results. The Fund could experience fluctuations in its operating results due to a number of factors, including the Fund's ability or inability to make investments that meet the Fund's investment objective, the interest or dividend rates payable on the securities it acquires, the level of the Fund's expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which it encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

Investment Dilution Risk. The Fund's investors do not have preemptive rights to any Shares that the Fund may issue in the future. The Fund's declaration of trust authorizes it to issue an unlimited number of Shares. A majority of the Board may amend the Fund's declaration of trust. After an investor purchases Shares, the Board may elect to sell additional Shares or other classes of Shares in the future or issue equity interests in private offerings. To the extent the Fund issues additional equity interests after an investor purchases its Shares, such investor's percentage ownership interest in the Fund will be diluted.

Other Portfolio Strategies

Short Sales

The Fund may engage in short sales of securities, particularly of corporate bonds and other fixed-income instruments. A short sale is a transaction in which the Fund sells a security it does not own as a means of attractive financing for purchasing other assets or in anticipation that the market price of that security will decline. The Fund may make short sales for financing, for risk management, to maintain portfolio flexibility or to enhance income or gain.

When the Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Fund's obligation to replace the borrowed security may be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities. The Fund may also be required to designate on its books and records similar collateral with its custodian to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer.

Short selling involves a number of risks. If a security sold short increases in price, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. The Fund may, but is not expected to, have substantial short positions and may engage in short sales where it does not own or have the immediate right to acquire the security sold short, and as such must borrow those securities to make delivery to the buyer under the short sale transaction. The Fund may not be able to borrow a security that it needs to deliver or it may not be able to close out a short position at an acceptable price and may have to sell related long positions earlier than it had expected. Thus, the Fund may not be able to successfully implement any short sale strategy it employs due to limited availability of desired securities or for other reasons. Also, there is the risk that the counterparty to a short sale may fail to honor its contractual terms, causing a loss to the Fund.

Until the Fund replaces a security borrowed in connection with a short sale, it may be required to maintain a segregated account of cash or liquid assets with a broker or custodian to cover the Fund's short position.

Generally, securities held in a segregated account cannot be sold unless they are replaced with other liquid assets. The Fund's ability to access the pledged collateral may also be impaired in the event the broker becomes bankrupt, insolvent or otherwise fails to comply with the terms of the contract. In such instances, the Fund may not be able to substitute or sell the pledged collateral and may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. Additionally, the Fund must maintain sufficient liquid assets, less any additional collateral pledged to the broker, marked-to-market daily, to cover the borrowed securities obligations. This may limit the Fund's investment flexibility, as well as its ability to meet other current obligations.

In times of unusual or adverse market, economic, regulatory or political conditions, the Fund may not be able, fully or partially, to implement its short selling strategy. Periods of unusual or adverse market, economic, regulatory or political conditions generally may exist for as long as six months and, in some cases, much longer.

Derivatives

General Limitations on Futures and Options Transactions. The Fund has filed a notice of eligibility for exclusion from the definition of the term "commodity pool operator" with the U.S. Commodity Futures Trading Commission (the "CFTC") and the National Futures Association, which regulate trading in the futures markets. Pursuant to CFTC Regulation 4.5, the Fund is not subject to regulation as a commodity pool under The Commodity Exchange Act (the "CEA").

Various exchanges and regulatory authorities have undertaken reviews of options and futures trading in light of market volatility. Among the possible actions that have been presented are proposals to adopt new or more stringent daily price fluctuation limits for futures and options transactions and proposals to increase the margin requirements for various types of futures transactions.

Asset Coverage for Futures and Options Positions. The Fund complies with the regulatory requirements of the SEC and the CFTC with respect to coverage of options and futures positions by registered investment companies and, if the guidelines so require, will segregate cash, U.S. government securities, high-grade liquid debt securities and/or other liquid assets permitted by the SEC and CFTC on the Fund's records in the amount prescribed. Securities segregated on the Fund's records cannot be sold while the futures or options position is outstanding, unless replaced with other permissible assets, and will be marked-to-market daily.

Options. The Fund may purchase put and call options on currencies or securities. A put option gives the purchaser the right to compel the writer of the option to purchase from the option holder an underlying currency or security or its equivalent at a specified price at any time during the option period. In contrast, a call option gives the purchaser the right to buy the underlying currency or security covered by the option or its equivalent from the writer of the option at the stated exercise price.

As a holder of a put option, the Fund will have the right to sell the currencies or securities underlying the option and as the holder of a call option, the Fund will have the right to purchase the currencies or securities underlying the option, in each case at their exercise price at any time prior to the option's expiration date. The Fund may seek to terminate its option positions prior to their expiration by entering into closing transactions. The ability of the Fund to enter into a closing sale transaction depends on the existence of a liquid secondary market. There can be no assurance that a closing purchase or sale transaction can be effected when the Fund so desires.

Certain Considerations Regarding Options. The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. The purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The purchase of options involves the risk that the premium and transaction costs paid by the Fund in purchasing an option will be lost as a result of unanticipated movements in prices of the securities on which the option is based. Imperfect correlation between the options and securities markets may detract from the effectiveness of attempted hedging. Options transactions may result in significantly higher transaction costs and portfolio turnover for the Fund.

Some, but not all, of the Fund's derivative instruments may be traded and listed on an exchange. There is no assurance that a liquid secondary market on an options exchange will exist for any particular option at any particular time, and for some options no secondary market on an exchange or elsewhere may exist. If the Fund is unable to effect a closing sale transaction with respect to options on securities that it has purchased, it would have to exercise the option to realize any profit and would incur transaction costs upon the purchase and sale of the underlying securities.

Futures Contracts. The Fund may enter into securities-related futures contracts, including security futures contracts, as an anticipatory hedge. The Fund's derivative investments may include sales of futures as an offset against the effect of expected declines in securities prices and purchases of futures as an offset against the effect of expected increases in securities prices. The Fund does not enter into futures contracts which are prohibited under the CEA and will, to the extent required by regulatory authorities, enter only into futures contracts that are traded on exchanges and are standardized as to maturity date and underlying financial instrument. A security futures contract is a legally binding agreement between two parties to purchase or sell in the future a specific quantity of a security or of the component securities of a narrow-based security index, at a certain price. A person who buys a security futures contract enters into a contract to purchase an underlying security and is said to be "long" the contract. A person who sells a security futures contract enters into a contract to sell the underlying security and is said to be "short" the contract. The price at which the contract trades (the "contract price") is determined by relative buying and selling interest on a regulated exchange.

Transaction costs are incurred when a futures contract is bought or sold and margin deposits must be maintained. To enter into a security futures contract, the Fund must deposit funds with its custodian in the name of the futures commodities merchant equal to a specified percentage of the current market value of the contract as a performance bond. Moreover, all security futures contracts are marked-to-market at least daily, usually after the close of trading. At that time, the account of each buyer and seller reflects the amount of any gain or loss on the security futures contract based on the contract price established at the end of the day for settlement purposes.

An open position, either a long or short position, is closed or liquidated by entering into an offsetting transaction (*i.e.*, an equal and opposite transaction to the one that opened the position) prior to the contract expiration. Traditionally, most futures contracts are liquidated prior to expiration through an offsetting transaction and, thus, holders do not incur a settlement obligation. If the offsetting purchase price is less than the original sale price, a gain will be realized; if it is more, a loss will be realized. Conversely, if the offsetting sale price is more than the original purchase price, a gain will be realized; if it is less, a loss will be realized. The transaction costs must also be included in these calculations. However, there can be no assurance that the Fund will be able to enter into an offsetting transaction with respect to a particular futures contract at a particular time. If the Fund is not able to enter into an offsetting transaction, the Fund will continue to be required to maintain the margin deposits on the futures contract and the Fund may not be able to realize a gain in the value of its future position or prevent losses from mounting. This inability to liquidate could occur, for example, if trading is halted due to unusual trading activity in either the security futures contract or the underlying security; if trading is halted due to recent news events involving the issuer of the underlying security; if systems failures occur on an exchange or at the firm carrying the position; or, if the position is on an illiquid market. Even if the Fund can liquidate its position, it may be forced to do so at a price that involves a large loss.

Under certain market conditions, it may also be difficult or impossible to manage the risk from open security futures positions by entering into an equivalent but opposite position in another contract month, on another market, or in the underlying security. This inability to take positions to limit the risk could occur, for example, if trading is halted across markets due to unusual trading activity in the security futures contract or the underlying security or due to recent news events involving the issuer of the underlying security.

There can be no assurance that a liquid market will exist at a time when the Fund seeks to close out a futures contract position. The Fund would continue to be required to meet margin requirements until the position is closed, possibly resulting in a decline in the Fund's NAV. In addition, many of the contracts discussed above are relatively new instruments without a significant trading history. As a result, there can be no assurance that an active secondary market will develop or continue to exist.

Security futures contracts that are not liquidated prior to expiration must be settled in accordance with the terms of the contract. Depending on the terms of the contract, some security futures contracts are settled by physical delivery of the underlying security. At the expiration of a security futures contract that is settled through physical delivery, a person who is long the contract must pay the final settlement price set by the regulated exchange or the clearing organization and take delivery of the underlying securities. Conversely, a person who is short the contract must make delivery of the underlying securities in exchange for the final settlement price. Settlement with physical delivery may involve additional costs.

Depending on the terms of the contract, other security futures contracts are settled through cash settlement. In this case, the underlying security is not delivered. Instead, any positions in such security futures contracts that are open at the end of the last trading day are settled through a final cash payment based on a final settlement price determined by the exchange or clearing organization. Once this payment is made, neither party has any further obligations on the contract.

As noted above, margin is the amount of funds that must be deposited by the Fund to initiate futures trading and to maintain the Fund's open positions in futures contracts. A margin deposit is intended to ensure the Fund's performance of the futures contract. The margin required for a particular futures contract is set by the exchange on which the futures contract is traded and may be significantly modified from time to time by the exchange during the term of the futures contract.

If the price of an open futures contract changes (by increase in the case of a sale or by decrease in the case of a purchase) so that the loss on the futures contract reaches a point at which the margin on deposit does not satisfy margin requirements, the broker will require an increase in the margin. However, if the value of a position increases because of favorable price changes in the futures contract so that the margin deposit exceeds the required margin, the broker will pay the excess to the Fund. In computing daily NAV, the Fund marks to market the current value of its open futures contracts. The Fund expects to earn interest income on its margin deposits.

Because of the low margin deposits required, futures contracts trading involves an extremely high degree of leverage. As a result, a relatively small price movement in a futures contract may result in an immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit, before any deduction for the transaction costs, if the account were then closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount initially invested in the futures contract. However, the Fund would presumably have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

In addition to the foregoing, imperfect correlation between futures contracts and the underlying securities may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. Under certain market conditions, the prices of security futures contracts may not maintain their customary or anticipated relationships to the prices of the underlying security or index. These pricing disparities could occur, for example, when the market for the security futures contract is illiquid, when the primary market for the underlying security is closed, or when the reporting of transactions in the underlying security has been delayed.

In addition, the value of a position in security futures contracts could be affected if trading is halted in either the security futures contract or the underlying security. In certain circumstances, regulated exchanges are required by law to halt trading in security futures contracts. For example, trading on a particular security futures contract must be halted if trading is halted on the listed market for the underlying security as a result of pending news, regulatory concerns or market volatility. Similarly, trading of a security futures contract on a narrow-based security index must be halted under circumstances where trading is halted on securities accounting for at least 50% of the market capitalization of the index. In addition, regulated exchanges are required to halt trading in all security futures contracts for a specified period of time when the Dow Jones Industrial Average experiences one-day declines of 10%, 20% and 30%. The regulated exchanges may also have discretion under their rules to halt trading in other circumstances, such as when the exchange determines that the halt would be advisable in maintaining a fair and orderly market.

A trading halt, either by a regulated exchange that trades security futures or an exchange trading the underlying security or instrument, could prevent the Fund from liquidating a position in security futures contracts in a timely manner, which could expose the Fund to a loss.

Each regulated exchange trading a security futures contract may also open and close for trading at different times than other regulated exchanges trading security futures contracts or markets trading the underlying security or securities. Trading in security futures contracts prior to the opening or after the close of the primary market for the underlying security may be less liquid than trading during regular market hours.

Swap Agreements. The Fund may enter into swap agreements. In a standard "swap" transaction, two parties agree to exchange the returns, differentials in rates of return or some other amount earned or realized on the "notional amount" of predetermined investments or instruments, which may be adjusted for an interest factor. Some swaps are structured to include exposure to a variety of different types of investments or market factors, such as interest rates, commodity prices, non-U.S. currency rates, mortgage securities, corporate borrowing rates, security prices, indexes or inflation rates. Swap agreements may be negotiated bilaterally and traded OTC between two parties or, in some instances, must be transacted through a futures commission merchant and cleared through a clearinghouse that serves as a central counterparty. Certain risks are reduced (but not eliminated) if a fund invests in cleared swaps. Certain standardized swaps, including certain credit default swaps, are subject to mandatory clearing, and more are expected to be in the future. The counterparty risk for cleared derivatives is generally lower than for uncleared derivatives, but cleared contracts are not risk-free.

Swap agreements may increase or decrease the overall volatility of the Fund's investments and the price of Fund Shares. The performance of swap agreements may be affected by a change in the specific interest rate, currency or other factors that determine the amounts of payments due to and from the Fund. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declines, the value of a swap agreement would likely decline, potentially resulting in losses.

Generally, swap agreements have fixed maturity dates that are agreed upon by the parties to the swap. The agreement can be terminated before the maturity date only under limited circumstances, such as default by or insolvency of one of the parties and can be transferred by a party only with the prior written consent of the other party. The Fund may be able to eliminate its exposure under a swap agreement either by assignment or other disposition, or by entering into an offsetting swap agreement with the same party or a similarly creditworthy party. If the counterparty is unable to meet its obligations under the contract, declares bankruptcy, defaults or becomes insolvent, the Fund may not be able to recover the money it expected to receive under the contract.

A swap agreement can be a form of leverage, which can magnify the Fund's gains or losses. To reduce the risk associated with leveraging, the Fund will segregate assets equal to the full notional value of the swap agreements, unless future SEC staff guidance permits asset segregation to a lesser extent.

The use of swaps can cause the Fund to be subject to additional regulatory requirements, which may generate additional Fund expenses.

The Fund monitors any swaps with a view towards ensuring that the Fund remains in compliance with all applicable regulatory, investment and tax requirements.

Equity Swaps. In a typical equity swap, one party agrees to pay another party the return on a security, security index or basket of securities in return for a specified interest rate. By entering into an equity index swap, the index receiver can gain exposure to securities making up the index of securities without actually purchasing those securities. Equity index swaps involve not only the risk associated with investment in the securities represented in the index, but also the risk that the performance of such securities, including dividends, will not exceed the interest that the Fund will be committed to pay under the swap.

Zero Coupon and Paid-In-Kind ("PIK") Bonds.

The Fund may invest in zero coupon or PIK bonds. Because investors in zero coupon or PIK bonds receive no cash prior to the maturity or cash payment date applicable thereto, an investment in such securities generally has a greater potential for complete loss of principal and/or return than an investment in debt securities that make periodic interest payments. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein. Reverse repurchase agreements involve the sale of securities held by the Fund with an agreement by the Fund to repurchase the securities at an agreed upon price, date and interest payment. At the time the Fund enters into a reverse repurchase agreement, it may designate on its books and records liquid instruments having a value not less than the repurchase price (including accrued interest). If the Fund establishes and maintains such a segregated account, a reverse repurchase agreement will not be considered a borrowing by the Fund; however, under certain circumstances in which the Fund does not establish and maintain such a segregated account, such reverse repurchase agreement will be considered a borrowing for the purpose of the Fund's limitation on borrowings. The use by the Fund of reverse repurchase agreements involves many of the same risks of leverage since the proceeds derived from such reverse repurchase agreements may be invested in additional securities. Reverse repurchase agreements involve the risk that the market value of the securities acquired in connection with the reverse repurchase agreement may decline below the price of the securities the Fund has sold but is obligated to repurchase. Also, reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Fund in connection with the reverse repurchase agreement may decline in price.

If the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund's obligation to repurchase the securities, and the Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. Also, the Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the securities subject to such agreement.

Repurchase Agreements

The Fund may invest in repurchase agreements. A repurchase agreement is a contractual agreement whereby the seller of securities agrees to repurchase the same security at a specified price on a future date agreed upon by the parties. The agreed-upon repurchase price determines the yield during the Fund's holding period. Repurchase agreements are considered to be loans collateralized by the underlying security that is the subject of the repurchase contract. The Fund will only enter into repurchase agreements with registered securities dealers or domestic banks that, in the opinions of the Advisers, present minimal credit risk. The risk to the Fund is limited to the ability of the issuer to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time the transaction is entered into always equals or exceeds the agreed-upon repurchase price, if the value of the collateral declines there is a risk of loss of both principal and interest. In the event of default, the collateral may be sold but the Fund might incur a loss if the value of the collateral declines, and might incur disposition costs or experience delays in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Fund may be delayed or limited. The Advisers will monitor the value of the collateral at the time the transaction is entered into and at all times subsequent during the term of the repurchase agreement in an effort to determine that such value always equals or exceeds the agreed-upon repurchase price. In the event the value of the collateral declines below the repurchase price, the Advisers will demand additional collateral from the issuer to increase the value of the collateral to at least that of the repurchase price, including interest.

Securities Lending

To the extent permitted by the 1940 Act, the Fund may make secured loans of its marginable securities to brokers, dealers and other financial institutions; provided, however, that the value of such loaned securities may not exceed one-third of the Fund's total asset value, including collateral received in respect of such loans. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially. However, such loans will be made only to broker-dealers and other financial institutions that are believed by the Advisers to be of relatively high credit standing. Loans of securities are made to broker-dealers pursuant to agreements requiring that such loans be continuously secured by collateral consisting of U.S. government securities, cash or cash equivalents (negotiable certificates of deposit, bankers' acceptances or letters of credit) maintained on a daily mark-to-market basis in an amount at least equal at all times to the market value of the securities lent. The borrower pays to the Fund, as the lender, an amount equal to any dividends or interest received on the securities lent. The collateral must have a market value at least equal to 100% of the market value of the loaned securities at all times during the duration of the loan. The Fund invests the cash collateral received in accordance with its investment objectives, subject to the Fund's agreement with the borrower of the securities. In the case of cash collateral, the Fund typically pays a rebate to the borrower. The reinvestment of cash collateral will result in a form of effective leverage for the Fund. Although voting rights or rights to consent with respect to the loaned securities pass to the borrower, the Fund, as the lender, retains the right to call the loans and obtain the return of the securities loaned at any time on reasonable notice, and it will do so in order that the securities may be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the Fund's investment. The Fund may also call such loans to sell the securities involved. When engaged in securities lending, the Fund's performance will continue to reflect changes in the value of the securities loaned and will also reflect the receipt of interest through investment of cash collateral by the Fund in permissible investments.

INVESTMENT RESTRICTIONS

As fundamental policies, the Fund may:

(1) Borrow money, make loans or issue senior securities to the fullest extent permitted by applicable law, including the 1940 Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

(2) Not underwrite securities issued by others, except to the extent that the sale of portfolio securities by the Fund may be deemed to be an underwriting or as otherwise permitted by law.

(3) Purchase or sell commodities, commodities contracts, futures contracts and related options, options or forward contracts to the fullest extent permitted by applicable law, including the 1940 Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

(4) Purchase or sell real estate and real estate mortgages to the fullest extent permitted by applicable law, including the 1940 Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules regulations or orders may be amended from time to time.

(5) Engage in short sales, purchases on margin and the writing of put and call options to the fullest extent permitted by applicable law, including the 1940 Act, the rules or regulations thereunder or applicable orders of the SEC, as such statute, rules, regulations or orders may be amended from time to time.

In addition as a fundamental policy, the Fund will not concentrate its investments in any one industry or group of industries. The Fund interprets its policy with respect to concentration in a particular industry to apply to direct investments in the securities of issuers in a particular industry, and to any other investments, such as derivatives, that may properly be assigned to a particular industry. The Fund will consider the concentration of underlying funds when determining compliance with its concentration policy, and the Fund will not invest 25% or more of its assets in an underlying fund that it knows concentrates its assets in a single industry. For assets invested in senior loans and loan participations where the Fund does not assume a contractual lending relationship with the borrower, the Fund will treat both the financial intermediary and the ultimate borrower as issuers when applying the Fund's industry concentration policy. In the case of any asset-backed securities, the Fund relies on a third-party industry classification system which assigns asset-backed securities to sectors based on the economic characteristics of those securities, and also classifies asset-backed securities based upon the currency in which they are denominated within these sectors. In addition, the Fund has adopted a fundamental policy that it will make quarterly repurchase offers pursuant to Rule 23c-3 of the 1940 Act, as such rule may be amended from time to time, for no less than 5% nor more than 25% of the Shares outstanding at NAV, less any repurchase fee, unless suspended or postponed in accordance with regulatory requirements, and each repurchase pricing shall occur no later than the 14th day after the Repurchase Request Deadline (as defined in the Prospectus), or the next business day if the 14th day is not a business day. Shareholders will be notified in writing about each quarterly repurchase offer, how they may request that the Fund repurchase their Shares and the Repurchase Request Deadline, which is the date the repurchase offer ends.

The fundamental investment limitations set forth above restrict the ability of the Fund to engage in certain practices and purchase securities and other instruments other than as permitted by, or consistent with, applicable law, including the 1940 Act. Relevant limitations of the 1940 Act as they presently exist are described below. These limitations are based either on the 1940 Act itself, the rules or regulations thereunder or applicable orders of the SEC. In addition, interpretations and guidance provided by the SEC staff may be taken into account to determine if a certain practice or the purchase of securities or other instruments is permitted by the 1940 Act, the rules or regulations thereunder or applicable orders of the SEC. As a result, the foregoing fundamental investment policies may be interpreted differently over time as the statutes, rules, regulations or orders (or, if applicable, interpretations) that relate to the meaning and effect of these policies change, and no vote of the holders of the Fund's Shares ("Shareholders") will be required or sought.

Notations Regarding Fundamental Investment Restrictions

The following notations are not considered to be part of the Fund's fundamental investment policies described above and are subject to change without Shareholder approval.

With respect to the fundamental policy relating to borrowing money set forth in (1) above, the 1940 Act permits the Fund to borrow money in amounts of up to one-third of the Fund's total assets from banks for any purpose, and to borrow up to 5% of the Fund's total assets from banks or other lenders for temporary purposes. The Fund's total assets include the amounts being borrowed. To limit the risks attendant to borrowing, the 1940 Act requires the Fund to maintain at all times an "asset coverage" of at least 300% of the amount of its borrowings. Asset coverage means the ratio that the value of the Fund's total assets (including amounts borrowed), minus liabilities other than borrowings, bears to the aggregate amount of all borrowings. Borrowing money to increase portfolio holdings is known as "leveraging." Certain trading practices and investments, such as reverse repurchase agreements, may be considered to be borrowings or involve leverage and thus are subject to the 1940 Act restrictions. In accordance with SEC staff guidance and interpretations, when the Fund engages in such transactions, the Fund, instead of maintaining asset coverage of at least 300%, may segregate or earmark liquid assets, or enter into an offsetting position, in an amount at least equal to the Fund's exposure, on a mark-to-market basis, to the transaction (as calculated pursuant to requirements of the SEC). The policy in (1) above will be interpreted to permit the Fund to engage in trading practices and investments that may be considered to be borrowing or to involve leverage to the extent permitted by the 1940 Act and to permit the Fund to segregate or earmark liquid assets or enter into offsetting positions in accordance with SEC staff guidance and interpretations. Short-term credits necessary for the settlement of securities transactions and arrangements with respect to securities lending will not be considered to be borrowings under the policy. Practices and investments that may involve leverage but are not considered to be borrowings are not subject to the policy.

Additionally, the 1940 Act does not prohibit the Fund from making loans (including lending its securities); however, SEC staff interpretations currently prohibit funds from lending more than one-third of their total assets (including lending its securities), except through the purchase of debt obligations or the use of repurchase agreements. In addition, collateral arrangements with respect to options, forward currency and futures transactions and other derivative instruments (as applicable), as well as delays in the settlement of securities transactions, will not be considered loans.

With respect to the fundamental policy relating to underwriting set forth in (2) above, the 1940 Act does not prohibit the Fund from engaging in the underwriting business or from underwriting the securities of other issuers; in fact, in the case of diversified funds, the 1940 Act permits the Fund to have underwriting commitments of up to 25% of its assets under certain circumstances. Those circumstances currently are that the amount of the Fund's underwriting commitments, when added to the value of the Fund's investments in issuers where the Fund owns more than 10% of the outstanding voting securities of those issuers, cannot exceed the 25% cap. A fund engaging in transactions involving the acquisition or disposition of portfolio securities may be considered to be an underwriter under the Securities Act. Although it is not believed that the application of the Securities Act provisions described above would cause the Fund to be engaged in the business of underwriting, the policy in (2) above will be interpreted not to prevent the Fund from engaging in transactions involving the acquisition or disposition of portfolio securities, regardless of whether the Fund may be considered to be an underwriter under the Securities Act or is otherwise engaged in the underwriting business to the extent permitted by applicable law.

Altering Fundamental Investment Restrictions

The restrictions listed above (but not the notations with respect thereto) are fundamental policies of the Fund. The Fund may not alter these fundamental policies without the approval of the holders of a majority of the outstanding Shares. For purposes of the foregoing, "a majority of the outstanding Shares" means (i) 67% or more of such Shares present at a meeting, if the Shareholders of more than 50% of such Shares are present or represented by proxy, or (ii) more than 50% of such Shares, whichever is less.

Other than the fundamental policies listed above, the Fund's investment policies are non-fundamental policies and may be changed by the Board without prior Shareholder approval.

Unless otherwise indicated, all limitations applicable to the investments (as stated above and elsewhere in this Statement of Additional Information and the Prospectus) of the Fund apply only at the time a transaction is entered into, and subsequent changes in value, ratings downgrades or changes in credit quality will not result in the Fund being required to dispose of any portfolio security. Except as otherwise noted, all percentage limitations set forth above apply immediately after a purchase and any subsequent change in any applicable percentage resulting from market fluctuations does not require any action. With respect to the limitations on the issuance of senior securities and in the case of borrowings, the percentage limitations apply at the time of issuance and on an ongoing basis.

MANAGEMENT OF THE FUND

Pursuant to the Fund's declaration of trust and bylaws, the Fund's business and affairs are managed under the direction of the Board, which has overall responsibility for monitoring and overseeing the Fund's management and operations. The officers of the Fund conduct and supervise the Fund's daily business operations.

Board Trustees and Executive Officers

Board Leadership Structure

The Board consists of five members, three of whom are considered independent and are not "interested persons" (as defined in the 1940 Act) of the Fund, FS Multi-Alternative Advisor or the Sub-Advisers (collectively, "Independent Trustees"). Among other things, the Board sets broad policies for the Fund and appoints the Fund's officers. The role of the Board, and of any individual Trustee, is one of oversight and not of management of the Fund's day-to-day affairs. Each Trustee will serve until his or her successor is duly elected and qualified. The Trustees are subject to removal or replacement in accordance with Delaware law and the Fund's declaration of trust. The Trustees serving on the Board were elected by the organizational Shareholders of the Fund.

Michael C. Forman serves as chairman of the Board and is not an Independent Trustee by virtue of his relationship with FS Multi-Alternative Advisor. The Board feels that Mr. Forman, as the Fund's co-founder and chief executive officer, is the Trustee with the most knowledge of the Fund's business strategy and is best situated to serve as chairman of the Board. The Board does not currently have a lead independent trustee, and each Independent Trustee plays an active role on the Board. The Independent Trustees are expected to meet separately in executive session as often as necessary to exercise their oversight responsibilities. The Board believes that its leadership structure is the optimal structure for the Fund at this time given the Fund's current size and complexity. The Board, which reviews its leadership structure periodically, further believes that its structure is presently appropriate to enable it to exercise its oversight of the Fund.

Board Role in Risk Oversight

Through its direct oversight role, and indirectly through its committees, the Board performs a risk oversight function for the Fund consisting of, among other things, the following activities: (i) at regular and special Board meetings, and on an ad hoc basis as needed, receiving and reviewing reports related to the Fund's performance and operations; (ii) reviewing and approving, as applicable, the Fund's compliance policies and procedures; (iii) meeting with members of FS Multi-Alternative Advisor's and the Sub-Advisers' portfolio management team to review investment strategies, techniques and the processes used to manage related risks; (iv) meeting with, or reviewing reports prepared by, the representatives of key service providers, including FS Multi-Alternative Advisor and the Sub-Advisers and the Fund's administrator, distributor, transfer agent, custodian and independent registered public accounting firm, to review and discuss the Fund's activities and to provide direction with respect thereto; and (v) engaging the services of the Fund's chief compliance officer to test the compliance procedures of the Fund and its service providers. However, not all risks that may affect the Fund can be identified or processes and controls developed to eliminate or mitigate their occurrence or effects, and some risks are beyond the control of the Fund and its service providers.

Trustees

Information regarding the members of the Board is set forth below. The Trustees have been divided into two groups — Interested Trustees and Independent Trustees. The address for each Trustee is c/o FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112. As set forth in the Fund's declaration of trust, a Trustee's term of office shall continue until his or her death, resignation or removal.

Name	Age	Trustee Since	Title	Principal Occupation(s) During Past 5 Years	Number of Registered Investment Companies in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Interested Trustees						
Michael C. Forman[(1)]	58	April 2018	Chairman	Chairman and Chief Executive Officer of FS Investments	10	FS Series Trust (since 2016); FS Credit Income Fund (since 2016); FS Credit Real Estate Income Trust, Inc (since 2016); FS Energy Total Return Fund (since 2016); FS Investment Corporation IV (since 2015); FS Global Credit Opportunities Fund (since 2013 and including its affiliated feeder funds); FS Investment Corporation III (since 2013); FS Investment Corporation II (since 2011); FS Energy and Power Fund (since 2010); and FS KKR Capital Corp. (formerly FS Investment Corporation) (since 2007)
David J. Adelman[(2)]	47	August 2018	Vice-Chairman	Chief Executive Officer of Campus Technologies, Inc. (since 2001); and President and Chief Executive Officer of Campus Apartments, Inc. (since 1997)	3	FS Credit Real Estate Income Trust, Inc. (since 2018); FS Series Trust (since 2017); and FS Energy Total Return Fund (since 2017)
Independent Trustees						
Holly E. Flanagan	47	August 2018	Trustee	Managing Director of Gabriel Investments (since 2013)	3	FS Credit Income Fund (since 2017); and FS Energy Total Return Fund (since 2017)

Name	Age	Trustee Since	Title	Principal Occupation(s) During Past 5 Years	Number of Registered Investment Companies in Fund Complex Overseen by Trustee	Other Directorships Held by Trustee
Brian R. Ford	70	August 2018	Trustee	Partner of Ernst & Young LLP (1971 – 2008)	3	FS KKR Capital Corp. (formerly FS Investment Corporation) (since 2018); FS Investment Corporation II (since 2018); FS Investment Corporation IV (since 2018); FS Credit Income Fund (since 2017); FS Energy Total Return Fund (since 2016); FS Investment Corporation III (since 2013); Clearway Energy, Inc. (formerly NRG Yield, Inc.) (since 2013); and AmeriGas Propane, Inc. (since 2013)
Daniel J. Hilferty III	62	March 2019	Trustee	Chief Executive Officer of Independence Health Group (since 2010)	3	FS Energy Total Return Fund (since March 2019); FS Credit Income Fund (since March 2019); and Aqua America, Inc. (since June 2017)

* The "Fund Complex" consists of the Fund, FS Series Trust, FS Credit Income Fund, FS Energy Total Return Fund and FS Global Credit Opportunities Fund (and its affiliated feeder funds).

(1) Mr. Forman is deemed to be an "interested person" of the Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his role as a controlling person of FS Multi-Alternative Advisor.

(2) Mr. Adelman is deemed to be an "interested person" of the Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his role as a controlling person of FS Multi-Alternative Advisor.

Interested Trustees

Michael C. Forman is chairman and chief executive officer of FS Investments and has been leading the company since founding it in 2007. He has served as the chairman and chief executive officer of FS Multi-Alternative Advisor since its inception. Mr. Forman also currently serves as chairman, president and/or chief executive officer of certain of the other funds sponsored by FS Investments. Prior to founding FS Investments, Mr. Forman founded a private equity and real estate investment firm. He started his career as an attorney in the Corporate and Securities Department at the Philadelphia based law firm of Klehr Harrison Harvey Branzburg LLP. In addition to his career as an attorney and investor, Mr. Forman has been an active entrepreneur and has founded several companies, including companies engaged in the gaming, specialty finance and asset management industries. Mr. Forman is a member of a number of civic and charitable boards, including The Franklin Institute, Drexel University and the Philadelphia Center City District Foundation. He is also Chairman of Vetri Community Partnership. Mr. Forman received his B.A., summa cum laude, from the University of Rhode Island, where he was elected Phi Beta Kappa, and received his J.D. from Rutgers University.

Mr. Forman has extensive experience in corporate and securities law and has founded and served in a leadership role of various companies, including FS Multi-Alternative Advisor, which serves as our investment adviser. Our board of directors believes Mr. Forman's experience and his positions as our and FS Multi-Alternative Advisor's chief executive officer make him a significant asset to the Fund.

David J. Adelman has served as the Fund's vice-chairman since August 2018. Mr. Adelman also currently serves as the vice-chairman of certain of the others funds sponsored by FS Investments and certain of their investment advisers. As chief executive officer of Campus Apartments, Inc., or Campus Apartments, Mr. Adelman is one of the nation's leading experts on university-affiliated real estate development. Under his leadership, Campus Apartments has grown into one of the nation's largest providers of on- and off-campus student housing, with more than $2 billion in assets under management across 24 states. Mr. Adelman is an active private investor and entrepreneur, co-founding and serving as vice-chairman of FS Investments, a leading manager of alternative investment funds. He is very active in the community, serving on the Wheels Up Board of Directors; Penn Medicine Board of Trustees; Board of Councilors of the USC Shoah Foundation-The Institute for Visual History and Education; Vice Chair of University City District Board of Directors; a member of The Real Estate Roundtable; and a member of the Young Presidents' Organization (YPO). He also previously served on the Actua corporation (Nasdaq: ACTA) board of directors. Mr. Adelman received his B.A. in Political Science from Ohio State University.

Mr. Adelman has substantial management, operational and financial expertise generated through his leadership roles for public and private companies, including his service as president and chief executive officer of Campus Apartments. Mr. Adelman also serves on the board of directors and in other leadership roles for various charitable and civic organizations. These varied activities have provided him, in the opinion of the Board, with experience and insight which is beneficial to the Fund.

Independent Trustees

Holly Flanagan has served as a managing director of Gabriel Investments, an early stage venture capital firm, since April 2013. She is responsible for identifying and analyzing investment opportunities and advising portfolio companies on sales activities and overall commercialization strategies. Prior to this, Ms. Flanagan served as vice president of business development for TicketLeap Inc., a web-based ticketing start-up company, from 2011 to 2013, where she oversaw all company business development efforts, including strategy and plan execution. From 2009 to 2011, Ms. Flanagan was a senior director of business development and sales for Epic Research, a niche business development consulting firm. She also served as a senior director of U.S. strategic alliances for Barclays Bank from 2000 to 2009 (and head of retailer recruitment for Barclays UK) as well as vice president of business development for MBNA America (now Bank of America) from 1991 to 2000. Ms. Flanagan has also served as a board member of DailyWorth LLC from 2014 to 2017. She is active in her community and currently serves on the board of trustees of The Philadelphia School and The Philadelphia Theater Company, where she is a member of the finance committee on both boards. Additionally, Ms. Flanagan is an Eisenhower Fellow, having spent time in China studying entrepreneurship and investment. Ms. Flanagan received her M.B.A. and B.A. in Organizational & Interpersonal Communication from the University of Delaware.

Ms. Flanagan's extensive business development and strategy experience has provided her, in the opinion of the Board, with experience and insight which is beneficial to the Fund.

Brian R. Ford retired as a partner of Ernst & Young LLP, a multinational professional services firm, in July 2008, where he was employed since 1971. Mr. Ford has served on the boards of various public companies, including Clearway Energy, Inc. (formerly NRG Yield, Inc.) ("Clearway"), which invests in contracted renewable and conventional generation and thermal infrastructure assets. He has served on the Clearway board, since July 2013, has served on its audit committee, compensation committee and corporate governance and conflicts and nominating committee since July 2013 and has served as the chairman of its audit committee since January 2016. He has also served on the board of AmeriGas Propane, Inc., a propane company, since November 2013, and has served as a member of its audit committee and corporate governance committee since November 2013. Mr. Ford previously served on the board of Gulfmark Offshore, Inc. ("Gulfmark"), a global provider of marine transportation, from March 2009 to November 2018 and served as the chairman of its audit committee from March 2011 to November 2018. Mr. Ford was previously the chief executive officer of Washington Philadelphia Partners, LP, a real estate investment company, from July 2008 to April 2010. He also has served on the boards of Drexel University and Drexel University College of Medicine since March 2004 and March 2009, respectively. Mr. Ford received his B.S. in Economics from Rutgers University. He practiced as a Certified Public Accountant with Ernst & Young LLP.

Mr. Ford's extensive financial accounting experience and service on the boards of public companies, in the opinion of the Board, provides him with insight which is beneficial to the Fund.

Daniel J. Hilferty III is the chief executive officer of Independence Health Group ("IHG") (parent of Independence Blue Cross), a health insurer, and has presided in such capacity since December 2010. He also served as president of IHG from December 2010 to December 2018. He previously served as the president of Independence Blue Cross' health markets division from December 2009 to December 2010 and as the president and chief executive officer of AmeriHealth Caritas Family of Companies (formerly AmeriHealth Mercy), a managed-care company, from March 1996 to December 2009. Mr. Hilferty has served as a member of the board of directors of Aqua America, Inc. (NYSE: WTR), a holding company for regulated utilities providing water or waste water services, since June 2017, currently serves on its corporate governance, executive and executive compensation committees, has served as the chairman of its corporate governance committee since January 2018, and has served as its lead independent director since December 2017. Mr. Hilferty previously served as a member of the board of directors of FS Investment Corporation III, a business development company that primarily invests in floating rate, senior secured loans of private U.S. middle-market companies, and its nominating and corporate governance committee from February 2014 to December 2018. Mr. Hilferty also currently serves on the boards of various private companies and organizations, including as vice chairman of the board of directors of Independence Health Group since 2018, chairman of the board of directors of the Chamber of Commerce for Greater Philadelphia since 2018, a member of the board of directors of America's Health Insurance Plans and its executive committee since 2013 and a member of the board of directors of Blue Cross Blue Shield Association since 2011. Mr. Hilferty graduated from the American University Graduate School for Government and Public Administration with a Master's in Public Administration and received his B.S. in Accounting at Saint Joseph's University.

Mr. Hilferty's extensive leadership experience has provided him, in the opinion of the Board, with experience and insight which is beneficial to the Fund.

Executive Officers

The following persons serve as the Fund's executive officers in the following capacities:

Name	Age	Position(s) Held With Registrant	Length of Time Served	Principal Occupation(s) During the Past Five Years
Michael C. Forman	58	Chief Executive Officer & President	Since 2018	Chairman and Chief Executive Officer, FS Investments
Edward T. Gallivan, Jr.	57	Chief Financial Officer & Treasurer	Since 2018	Chief Financial Officer, FS Energy and Power Fund, FS Credit Income Fund, FS Energy Total Return Fund, FS Global Credit Opportunities Fund and its affiliated feeder funds and FS Credit Real Estate Income Trust, Inc.
Stephen S. Sypherd	42	General Counsel & Secretary	Since 2018	General Counsel, FS Investments
James F. Volk	56	Chief Compliance Officer	Since 2018	Managing Director, Fund Compliance, FS Investments; and Chief Compliance Officer, Chief Accounting Officer and Head of Traditional Fund Operations at SEI's Investment Manager Services market unit (1996 – 2014)

The address for each executive officer is c/o FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

Executive Officers Who Are Not Trustees

Edward T. Gallivan, Jr. has served as the Fund's chief financial officer and treasurer since April 2018 and March 2019, respectively. Mr. Gallivan has also served as the chief financial officer of certain of the other funds sponsored by FS Investments. Prior to joining FS Investments, Mr. Gallivan was a director at BlackRock, Inc. from 2005 to October 2012, where he was head of financial reporting for over 350 mutual funds. From 1988 to 2005, Mr. Gallivan worked at State Street Research & Management Company, where he served as the assistant treasurer of mutual funds. Mr. Gallivan began his career as an auditor at the global accounting firm, PricewaterhouseCoopers LLP, where he practiced as a certified public accountant. Mr. Gallivan received his B.S. in Business Administration (Accounting) degree at Stonehill College in Massachusetts.

Stephen S. Sypherd has served as the Fund's general counsel and secretary since April 2018. Mr. Sypherd also currently serves as the general counsel, vice president, treasurer and/or secretary of certain of the other funds sponsored by FS Investments. Mr. Sypherd has also served in various senior officer capacities for FS Investments and its affiliated investment advisers, including as senior vice president from December 2011 to August 2014, general counsel since January 2013 and managing director since August 2014. He is responsible for legal and compliance matters across all entities and investment products of FS Investments. Prior to joining FS Investments, Mr. Sypherd served for eight years as an attorney at Skadden, Arps, Slate, Meagher & Flom LLP, where he practiced corporate and securities law. Mr. Sypherd received his B.A. in Economics from Villanova University and his J.D. from the Georgetown University Law Center, where he was an executive editor of the Georgetown Law Journal. He serves on the board of trustees of the University of the Arts (and on the advancement and governance committees of that board).

James F. Volk has served as the Fund's chief compliance officer since April 2018. Mr. Volk also serves as the chief compliance officer of certain of the other funds sponsored by FS Investments. He is responsible for all compliance and regulatory issues affecting the Fund and the foregoing companies. Before joining FS Investments and its affiliated investment advisers in October 2014, Mr. Volk was the chief compliance officer, chief accounting officer and head of traditional fund operations at SEI's Investment Manager Services market unit. Mr. Volk was also formerly the assistant chief accountant at the SEC's Division of Investment Management and a senior manager for PwC. Mr. Volk graduated from the University of Delaware with a B.S. in Accounting.

The biographies of the remainder of the Fund's executive officers are provided above under "Interested Trustees" or in the Prospectus.

Compensation of Trustees

Trustees who do not also serve in an executive officer capacity for the Fund, FS Multi-Alternative Advisor or the Sub-Advisers are entitled to receive from the Fund an annual cash retainer, fees for attending in-person Board meetings and committee meetings and annual fees for serving as a committee chairperson, determined based on the net assets of the Fund (and any other interval funds of the same family of investment companies (collectively with the Fund, the "Interval Fund Complex")) as of the end of each fiscal quarter. Annual cash retainers and annual fees for serving as a committee chairperson will be split among the funds in the Interval Fund Complex based on each fund's net assets as of the end of such fiscal quarter. These Trustees are Holly E. Flanagan, Brian R. Ford and Daniel J. Hilferty III. Amounts payable under the arrangement are determined and paid quarterly in arrears as follows:

NET ASSETS UNDER MANAGEMENT	ANNUAL CASH RETAINER	BOARD AND COMMITTEE MEETING FEE(1)	AUDIT	NOMINATING AND CORPORATE GOVERNANCE
$0 to $200 million	—	$1,000	$ 5,000	$ 1,200
$200 million to $500 million	$ 10,000	$1,000	$ 6,500	$ 2,600
$500 million to $2 billion	$ 25,000	$1,000	$ 8,000	$ 3,200
$2 billion to $5 billion	$ 50,000	$1,000	$11,000	$ 4,400
$5 billion to $10 billion	$100,000	$1,000	$15,000	$ 6,000
> $10 billion	$250,000	$1,000	$25,000	$10,000

(1) Meeting fees commence after four quarterly meetings. Only one meeting fee will be paid for joint meetings with two or more boards or committees of funds in the Interval Fund Complex.

The Fund will also reimburse each of the Trustees for all reasonable and authorized business expenses in accordance with the Fund's policies as in effect from time to time, including reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person Board meeting and each committee meeting not held concurrently with a Board meeting.

The Fund does not pay compensation to Trustees who also serve in an executive officer capacity for the Fund, FS Multi-Alternative Advisor or any Sub-Adviser.

Board Committees

In addition to serving on the Board, Trustees may also serve on one or more of the following committees which have been established by the Board to handle certain designated responsibilities. The Board has designated a chairman of each committee. Subject to applicable law, the Board may establish additional committees, change the membership of any committee, fill all vacancies and designate alternate members to replace any absent or disqualified member of any committee, or to dissolve any committee as it deems necessary and in the Fund's best interest.

Audit Committee

The audit committee is responsible for selecting, engaging and discharging the Fund's independent registered public accounting firm, reviewing the plans, scope and results of the audit engagement with the Fund's independent registered public accounting firm, approving professional services provided by the Fund's independent registered public accounting firm (including compensation therefor), reviewing the independence of the Fund's independent registered public accounting firm and reviewing the adequacy of the Fund's internal controls over financial reporting. The audit committee of the Board also establishes policies and procedures regarding the valuation of the Fund's investments. On a quarterly basis, the Board's audit committee reviews the valuation determinations made with respect to the Fund's investments during the preceding quarter and evaluates whether such determinations were made in a manner consistent with the Fund's valuation process. The members of the audit committee are Holly E. Flanagan, Brian R. Ford and Daniel J. Hilferty III, each of whom is an Independent Trustee. Mr. Ford serves as the chairman of the audit committee. The Board has determined that Mr. Ford is an "audit committee financial expert" as defined under SEC rules.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee selects and nominates Trustees for membership on the Board, selects nominees to fill vacancies on the Board or a committee thereof, develops and recommends to the Board a set of corporate governance principles and oversees the evaluation of the Board. The nominating and corporate governance committee considers candidates suggested by its members and other Trustees, as well as the Fund's management and Shareholders. The members of the nominating and corporate governance committee are Holly E. Flanagan, Brian R. Ford and Daniel J. Hilferty III.

Trustee Beneficial Ownership of Shares

The following table shows the dollar range of Shares beneficially owned by each Trustee as of December 31, 2018 based on the NAV per Class I Share of $12.12 on such date and the aggregate dollar range of equity securities in all registered investment companies overseen by each Trustee in the family of investment companies that includes the Fund, based on their respective net asset values per share as of December 31, 2018.

Name	Dollar Range of Equity Securities in the Fund(1)(2)	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustees in Family of Investment Companies(1)(2)
Interested Trustees		
Michael C. Forman	Over $100,000(2)	Over $100,000
David J. Adelman	Over $100,000(2)	Over $100,000
Independent Trustees		
Holly E. Flanagan	None	None
Brian R. Ford	None	$50,001 – $100,000
Joseph P. Ujobai	None	None
Daniel J. Hilferty III	None	None

(1) Dollar ranges are as follows: None, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000 or Over $100,000.

(2) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) promulgated under the Exchange Act.

Shareholder Communication

Shareholders may send communications to the Board. Shareholders should send communications intended for the Board by addressing the communication directly to the Board (or individual Trustee(s)) and/or otherwise clearly indicating in the salutation that the communication is for the Board (or individual Trustee(s)) and by sending the communication to the Fund's offices at 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112. Other Shareholder communications received by the Fund not directly addressed and sent to the Board will be reviewed and generally responded to by management, and will be forwarded to the Board only at management's discretion based on the matters contained therein.

Codes of Ethics

The Fund, FS Multi-Alternative Advisor, the Fund's distributor and the Sub-Advisers have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restrict certain personal securities transactions. Personnel subject to these codes may invest in securities for their personal investment accounts so long as such investments are made in accordance with the applicable code's requirements; however, they may not invest in securities held by the Fund. The codes of ethics are available on the EDGAR database on the SEC's Internet site at http://www.sec.gov, and may also be obtained after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov.

The Adviser

FS Multi-Alternative Advisor, an investment adviser registered with the SEC under the Advisers Act, serves as the Fund's investment adviser. FS Multi-Alternative Advisor is an affiliate of FS Investments, a national sponsor of alternative investment funds designed for the individual investor. FS Multi-Alternative Advisor's principal office is located at 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112. For more information regarding FS Multi-Alternative Advisor, see "The Adviser" in the Prospectus. For more information on the services provided by FS Multi-Alternative Advisor to the Fund, see "Management of the Fund" in the Prospectus.

The Fund's Investment Advisory Agreement (the "Investment Advisory Agreement") became effective on September 12, 2018 and continues in effect for a period of two years from its effective date. If not sooner terminated, the Investment Advisory Agreement will continue in effect for successive periods of twelve months thereafter, provided that each continuance is specifically approved at least annually by both (i) the vote of a majority of the Board or the vote of a majority of the outstanding securities of the Fund entitled to vote and (ii) by the vote of a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on such approval. In addition, the Investment Advisory Agreement has termination provisions that allow the parties to terminate the agreement without penalty. The Investment Advisory Agreement and the Administration Agreement may be terminated at any time, without penalty, by FS Multi-Alternative Advisor, upon 60 days' notice to the Fund.

Under the Investment Advisory Agreement, FS Multi-Alternative Advisor is entitled to a "Management Fee" calculated and payable quarterly in arrears at the annual rate of 1.60% of the Fund's average daily gross assets during such period. The Management Fee for any partial quarter will be appropriately prorated.

FS Multi-Alternative Advisor and the Fund have entered into an expense limitation agreement (the "Expense Limitation Agreement") under which FS Multi-Alternative Advisor has agreed to pay or waive, on a quarterly basis, the "ordinary operating expenses" (as defined below) of the Fund to the extent that such expenses exceed 0.25% per annum of the Fund's average daily net assets attributable to the applicable class of Shares (the "Expense Limitation"). The Expense Limitation may be adjusted for other classes of Shares to account for class-specific expenses. In consideration of FS Multi-Alternative Advisor's agreement to limit the Fund's expenses, the Fund has agreed to repay FS Multi-Alternative

Advisor in the amount of any Fund expenses paid or waived subject to the limitations that: (1) the reimbursement for expenses will be made only if payable not more than three years following the time such payment or waiver was made; and (2) the reimbursement may not be made if it would cause the Fund's then-current Expense Limitation, if any, and the Expense Limitation that was in effect at the time when the Adviser reimbursed or waived the ordinary operating expenses that are the subject of the repayment, to be exceeded. The Expense Limitation Agreement will continue indefinitely until terminated by the Board on written notice to FS Multi-Alternative Advisor. The Expense Limitation Agreement may not be terminated by FS Multi-Alternative Advisor. For the purposes of the Expense Limitation Agreement, "ordinary operating expenses" for a class of Shares consist of all ordinary expenses of the Fund attributable to such class, including administration fees, transfer agent fees, fees paid to the Fund's trustees, legal expenses relating to the Fund's registration statements (and any amendments or supplements thereto) and other filings with the SEC, administrative services expenses, and related costs associated with legal, regulatory compliance and investor relations, but excluding the following: (a) investment advisory fees, (b) portfolio transaction and other investment-related costs (including brokerage commissions, dealer and underwriter spreads, commitment fees on leverage facilities, prime broker fees and expenses, and dividend expenses related to short sales), (c) interest expense and other financing costs, (d) taxes, (e) distribution or shareholder servicing fees and (f) extraordinary expenses. Additionally, the Sub-Advisers may be reimbursed for certain operating and administration expenses that they incur, subject to certain limitations.

Pursuant to a letter agreement (the "Letter Agreement") dated as of December 24, 2018, between FS Multi-Alternative Advisor and the Fund, FS Multi-Alternative Advisor agreed, for the fiscal quarter ended January 31, 2019, to waive the Management Fee to which it was entitled under the Investment Advisory Agreement so that the fee received equaled 0.00% of the Fund's average daily gross assets during the fiscal quarter.

In addition, pursuant to the Letter Agreement, FS Multi-Alternative Advisor agreed, for the fiscal quarter ended January 31, 2019, to assume all of the Fund's "ordinary operating expenses" (or to cause its affiliates to assume such expenses).

By subsequent letter agreements, FS Multi-Alternative Advisor has extended the terms of the Letter Agreement through the fiscal quarters ended April 30, 2019, July 31, 2019 and October 31, 2019.

FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, has agreed to assume the Fund's organization and offering costs and will not seek reimbursement of such costs. Organization costs include, among other things, the cost of formation as a Delaware statutory trust, including the cost of legal services and other fees pertaining to the Fund's organization. Offering costs will primarily include marketing expenses, salaries and other direct expenses of FS Multi-Alternative Advisor's and the Sub-Advisers' personnel and employees of their affiliates while engaged in marketing the Shares.

For the fiscal period from September 27, 2018 (Commencement of Operations) through October 31, 2018, the Fund paid management fees (after waivers and reimbursements) as follows (in thousands):

	Management Fees	Waivers	Reimbursements	Management Fees Paid (After Waivers and Reimbursements)
FS Multi-Alternative Advisor	$ 54	—	$ (40)	$ 14
KKR Credit[(1)(2)]	$ 8	—	—	$ 8
GoldenTree Sub-Adviser[(2)(3)]	$ 11	—	—	$ 11
StepStone[(2)(4)]	$ 2	—	—	$ 2

(1) Pursuant to the investment sub-advisory agreement by and among the Fund, FS Multi-Alternative Advisor and KKR Credit, KKR Credit is entitled to receive a sub-advisory fee (payable out of the Management Fee or from the Adviser's own resources) equal to 22.5 basis points (90 basis points on an annualized basis) of the aggregate value of the Fund's average net assets managed by it.

(2) The management fees shown are included in, and not in addition to, the management fees paid by the Fund to FS Multi-Alternative Advisor, as applicable. FS Multi-Alternative Advisor has paid, and currently intends to pay, each Sub-Adviser the portfolio management fees to which they are entitled pursuant to the Investment Sub-Advisory Agreements during any period in which FS Multi-Alternative Advisor is waiving the Management Fee pursuant to the Letter Agreement.

(3) Pursuant to the investment sub-advisory agreement by and among the Fund, FS Multi-Alternative Advisor and the GoldenTree Sub-Adviser, the GoldenTree Sub-Adviser is entitled to receive a sub-advisory fee (payable out of the Management Fee or by the Adviser out of its own resources) equal to 19.375 basis points (77.5 basis points on an annualized basis) of the aggregate value of the Fund's average net assets managed by it.

(4) Pursuant to the investment sub-advisory agreement by and among the Fund, FS Multi-Alternative Advisor and StepStone, StepStone is entitled to receive a sub-advisory fee (payable out of the Management Fee or by the Adviser out of its own resources) equal to: 5 basis points (20 basis points on an annualized basis) as to the first $500 million of the Fund's average net assets managed by it; 3.75 basis points (15 basis points on an annualized basis) of the Fund's average net assets managed by it above $500 million up to and including $750 million; 3.125 basis points (12.5 basis points on an annualized basis) of the Fund's average net assets managed by it above $750 million up to and including $1 billion; and 2.5 basis points (10 basis points on an annualized basis) of the Fund's average net assets managed by it above $1 billion.

The Sub-Advisers

FS Multi-Alternative Advisor has engaged StepStone, KKR Credit and the GoldenTree Sub-Adviser to act as the Fund's investment sub-advisers pursuant to the separate Investment Sub-Advisory Agreements with each Sub-Adviser (collectively, the "Investment Sub-Advisory Agreements"). The Sub-Advisers identify investment opportunities, make investment recommendations for approval by FS Multi-Alternative Advisor and, as applicable, execute on their trading strategies subject to guidelines set by FS Multi-Alternative Advisor and the applicable Sub-Adviser. StepStone, an investment adviser registered with the SEC under the Advisers Act, is a Delaware limited partnership with its principal office located at 4275 Executive Square, Suite 500, La Jolla, CA 92037. KKR Credit, an investment adviser registered with the SEC under the Advisers Act, is a Delaware limited liability company with its principal office located at 555 California Street, 50th Floor, San Francisco, CA 94104. The GoldenTree Sub-Adviser, an investment adviser registered with the SEC under the Advisers Act, is a Delaware limited liability company with its principal office located at 300 Park Avenue, 21st Floor, New York, NY 10022. For more information regarding the Sub-Advisers, see "The Sub-Advisers" in the Prospectus.

Each Investment Sub-Advisory Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice by such Sub-Adviser or, if the Board or the holders of a majority of the Fund's outstanding voting securities determine that the Investment Sub-Advisory Agreement with a Sub-Adviser should be terminated, by FS Multi-Alternative Advisor. The Investment Sub-Advisory Agreements each shall automatically terminate in the event of its assignment (as such term is defined for purposes of Section 15(a)(4) of the 1940 Act) or the termination of the Investment Advisory Agreement.

FS Multi-Alternative Advisor may terminate the Sub-Advisory Agreement with KKR Credit immediately for "Cause", which is defined as any of the following events: (i) KKR Credit becomes ineligible under Section 9(a) of the 1940 Act on account of action by itself, or a person subject to its supervision, in the absence of receiving an exemptive order under Section 9(c) of the 1940 Act; (ii) KKR Credit becomes ineligible under Section 9(b) of the 1940 Act; or (iii) KKR Credit has committed any willful misconduct, fraud, misappropriation of funds or breach of fiduciary duty, which after notice from FS Multi-Alternative Advisor and a period of thirty days thereafter to cure or mitigate such commission, is not cured or mitigated. Additionally, subject to certain exceptions, the Sub-Advisory Agreements with KKR Credit and the GoldenTree Sub-Adviser provide that FS Multi-Alternative Advisor will terminate its relationship with the Fund in the event that certain Termination Triggers occur, as defined in the Prospectus.

Portfolio Management

Other Accounts Managed by Portfolio Managers

The portfolio managers primarily responsible for the day-to-day management of the Fund also manage other registered investment companies, other pooled investment vehicles and other accounts, as indicated below. The following table identifies, as of March 31, 2019: (i) the number of other registered investment companies, other pooled investment vehicles and other accounts managed by each portfolio manager; (ii) the total assets of such companies, vehicles and accounts; and (iii) the number and total assets of such companies, vehicles and accounts that are subject to an advisory fee based on performance.

	Number of Accounts	Assets of Accounts (in thousands)[1]	Number of Accounts Subject to a Performance Fee	Assets Subject to a Performance Fee (in thousands)[1]
Brian Gerson				
Registered Investment Companies	—	—	—	—
Other Pooled Investment Vehicles	6	$21,043,489	6	$21,043,489
Other Accounts	—	—	—	—
Michael Kelly				
Registered Investment Companies	9	$ 359,609[2]	—	—
Other Pooled Investment Vehicles	7	$21,296,962	7	$21,296,962
Other Accounts	—	—	—	—
Robert Haas				
Registered Investment Companies	1	$ 58,918	—	—
Other Pooled Investment Vehicles	1	$ 253,472	1	$ 253,472
Other Accounts	—	—	—	—
Robert Lawrence				
Registered Investment Companies	—	—	—	—
Other Pooled Investment Vehicles	1	$ 253,472	1	$ 253,472
Other Accounts	—	—	—	—
Daniel Picard				
Registered Investment Companies	1	$ 230,390	—	—
Other Pooled Investment Vehicles	—	—	—	—
Other Accounts	—	—	—	—

(1) Assets provided as of March 31, 2019 for accounts with fiscal year end of December 31 and as of April 30, 2019 for accounts with fiscal year end of October 31.

(2) Assets for each series of FS Series Trust provided as of December 31, 2018.

Compensation of Portfolio Managers

FS Multi-Alternative Advisor's investment personnel are not employed by the Fund and receive no direct compensation from the Fund in connection with their investment management activities.

Consistent with FS Investments' integrated culture, FS Investments has one firm-wide compensation and incentive structure, which covers investment personnel who render services to the Fund on behalf of FS Multi-Alternative Advisor. FS Investments' compensation structure is designed to align the interests of the investment personnel serving the Fund with those of Shareholders and to give everyone a direct financial incentive to ensure that all of FS Investments' resources, knowledge and relationships are utilized to maximize risk-adjusted returns for each strategy.

Each of FS Investments' senior executives, including each of the investment personnel who render services to the Fund on behalf of FS Multi-Alternative Advisor, receives a base salary and is eligible for a discretionary bonus.

All final compensation decisions are made by the management committee of FS Investments based on input from managers. Compensation and other incentives are not formulaic, but rather are judgment and merit driven, and are determined based on a combination of overall firm performance, individual contribution and performance and relevant market and competitive compensation practices for other businesses.

Securities Ownership of Portfolio Managers

The following table shows the dollar range of equity securities in the Fund beneficially owned by each portfolio manager as of July 10, 2019 based on the NAV per Class I share of $12.84 on such date.

Name of Portfolio Manager	Dollar Range of Equity Securities in the Fund(1)
Brian Gerson	None
Michael Kelly	None
Robert Haas	None
Robert Lawrence	None
Daniel Picard	None

(1) Dollar ranges are as follows: None, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000, $100,001 – $500,000, $500,001 – $1,000,000 or Over $1,000,000.

Potential Conflicts of Interest

FS Multi-Alternative Advisor, the Sub-Advisers and certain of their affiliates may experience conflicts of interest in connection with the management of the Fund, including, but not limited to, the following:

- The managers, officers and other personnel of FS Multi-Alternative Advisor allocate their time as they deem appropriate between advising the Fund and managing and operating other investment activities and business activities in which they may be involved;
- The personnel of the Sub-Advisers as they deem appropriate allocate their time between assisting FS Multi-Alternative Advisor in identifying investment opportunities and making investment recommendations or decisions and performing similar functions for other business activities in which they may be involved;
- The principals of FS Multi-Alternative Advisor or the Sub-Advisers may serve as officers, paid advisors, directors or in comparable management functions for portfolio companies in which the Fund invests, and may receive compensation in connection therewith;
- The Fund may now, or in the future, compete with certain affiliates for investments, subjecting FS Multi-Alternative Advisor and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Fund's behalf;
- The Fund may compete with other funds or clients managed or advised by the Sub-Advisers or affiliates of the Sub-Advisers for investment opportunities, subjecting the Sub-Advisers and its affiliates to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on the Fund's behalf;

- The Adviser or the Sub-Advisers could be subject to a conflict of interest because of the varying compensation arrangements among their respective clients. For example, the Fund is not subject to incentive compensation while certain other funds of the Adviser or the Sub-Advisers are, which could incentivize the Adviser or the Sub-Advisers to favor such funds over the Fund when allocating investments;

- GoldenTree also has an interest in an entity that it has retained to provide various services for its structured products group, including the Fund. Specifically, GoldenTree, through an affiliated entity, has acquired a 20% membership interest in Clarity Solutions Group LLC, the remaining 80% of which is controlled by a former employee of GoldenTree;

- The Sub-Advisers and their affiliates may now, or in the future, may acquire securities in which the Fund invests;

- Regardless of the quality of the assets acquired by the Fund, the services provided to the Fund or whether the Fund makes distributions to Shareholders, FS Multi-Alternative Advisor and the Sub-Advisers will receive the Management Fee in connection with the management of the Fund's portfolio;

- From time to time, to the extent consistent with the 1940 Act and the rules and regulations promulgated thereunder, the Fund and other clients for which FS Multi-Alternative Advisor or the Sub-Advisers provide investment management services or carry on investment activities may make investments at different levels of an issuer's capital structure or otherwise in different classes of an issuer's securities, as may be permitted by law and subject to compliance with appropriate procedures. These investments may give rise to inherent conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by the Fund and such other clients and may make certain investment opportunities, which might otherwise be desirable, unavailable or impractical even if appropriate procedures are in place. Additionally, investment at different levels of an issuer's capital structure or otherwise in different classes of an issuer's securities by the Fund and other clients of FS Multi-Alternative Advisor or the Sub-Advisers may result in FS Multi-Alternative Advisor or the Sub-Advisers coming into possession of confidential or material, non-public information that would limit the ability of the Fund to acquire or dispose of investments (or of the Sub-Advisers to recommend to FS Multi-Alternative Advisor the acquisition or disposition of an investment), even if such acquisition or disposition would otherwise be desirable. This could constrain the Fund's investment flexibility and result in the Fund being unable or restricted from initiating transactions in certain securities or liquidating or selling certain investments at a time when FS Multi-Alternative Advisor or the Sub-Advisers would otherwise take an action;

- FS Multi-Alternative Advisor, the Sub-Advisers and their respective affiliates may give advice and recommend securities to other clients, in accordance with the investment objectives and strategies of such other clients, which may differ from advice given to, or the timing or nature of the action taken with respect to, the Fund so long as it is their policy, to the extent practicable, to recommend for allocation and/or allocate investment opportunities to the Fund on a fair and equitable basis relative to their other clients, even though their investment objectives may overlap with those of the Fund;

- The Sub-Advisers and their affiliates may have existing business relationships or access to material non-public information that would prevent such Sub-Adviser from recommending, considering or consummating certain investment opportunities (including a disposition of an existing investment) that would otherwise fit within the Fund's investment objective and strategies. Similarly, FS Multi-Alternative Advisor and its affiliates may have existing business relationships or access to material non-public information that would prevent it from considering, approving or consummating an investment opportunity (including a disposition of an existing investment) that would otherwise fit within the Fund's investment objective and strategies. This could constrain the Fund's investment flexibility and result in the Fund being unable or restricted from initiating transactions in certain securities or liquidating or selling certain investments at a time when FS Multi-Alternative Advisor or a Sub-Adviser would otherwise take such an action;

- To the extent permitted by the 1940 Act and interpretations of the staff of the SEC, and subject to the allocation policies of FS Multi-Alternative Advisor, the Sub-Advisers and any of their respective affiliates, as applicable, FS Multi-Alternative Advisor, the Sub-Advisers and any of their respective affiliates may deem it appropriate for the Fund and one or more other investment accounts managed by FS Multi-Alternative Advisor, the Sub-Advisers or any of their respective affiliates to participate in an investment opportunity. The Fund intends to seek exemptive relief from the SEC to engage in privately negotiated co-investment transactions with certain affiliates of FS Multi-Alternative Advisor and KKR Credit and GoldenTree. However, there can be no assurance that the Fund will obtain such exemptive relief. Any of these co-investment opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Fund and the other participating accounts. To mitigate these conflicts, FS Multi-Alternative Advisor and/or KKR Credit and GoldenTree, as applicable, will seek to execute such transactions for all of the participating investment accounts, including the Fund, on a fair and equitable basis and in accordance with their respective allocation policies, taking into account such factors as the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Fund, the clients for which participation is appropriate and any other factors deemed appropriate; and

- The 1940 Act prohibits certain "joint" transactions with certain of the Fund's affiliates, which in certain circumstances could include investments in the same portfolio company (whether at the same or different times), without the prior approval of the SEC. If a person, directly or indirectly, acquires more than 5% of the voting securities of the Fund, FS Multi-Alternative Advisor or the Sub-Advisers (or either of their respective controlling entities), the Fund will be prohibited from buying any securities or other property from or selling any securities or other property to such person or certain of that person's affiliates, or entering into joint transactions with such persons, absent the availability of an exemption or prior approval of the SEC. Similar restrictions limit the Fund's ability to transact business with its officers or Trustees or their affiliates. The SEC has interpreted the 1940 Act rules governing transactions with affiliates to prohibit certain "joint transactions" involving entities that share a common investment adviser. As a result of these restrictions, the scope of investment opportunities that would otherwise be available to the Fund may be limited.

PORTFOLIO TRANSACTIONS AND BROKERAGE ALLOCATION

FS Multi-Alternative Advisor has responsibility for decisions to buy and sell securities and other instruments for the Fund, the selection of brokers and dealers to effect the transactions and the negotiation of prices and any brokerage commissions on such transactions, although FS Multi-Alternative Advisor has delegated the responsibilities to execute many of the Fund's portfolio transactions to KKR Credit and GoldenTree. While FS Multi-Alternative Advisor and the Sub-Advisers will be primarily responsible for the placement of the Fund's portfolio business, the policies and practices in this regard are subject to review by the Board.

To the extent it executes securities transactions for the Fund, FS Multi-Alternative Advisor or the Sub-Advisers will seek to obtain the best execution of orders. Commission rates are a component of price and are considered along with other relevant factors. In determining the broker or dealer to be used and the commission rates to be paid, FS Multi-Alternative Advisor or the Sub-Advisers will consider the utility and reliability of brokerage services, including execution capability and performance, financial responsibility, investment information, market insights, other research provided by such brokers, and access to analysts, management and idea generation. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if FS Multi-Alternative Advisor or the Sub-Advisers determine in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers. Consistent with the requirements of best execution, brokerage commissions on accounts may be directed to brokers in recognition of investment research and information furnished as well as for services rendered in execution of orders by such brokers. By allocating transactions in this manner, FS Multi-Alternative Advisor or the Sub-Advisers may be able to supplement their research and analysis with the views and information of brokerage firms. FS Multi-Alternative Advisor may also allocate a portion of its brokerage business to firms whose employees participate as brokers in the introduction of investors to FS Multi-Alternative Advisor or who agree to bear the expense of capital introduction, marketing or related services by third parties.

Eligible research or brokerage services provided by brokers through which portfolio transactions for the Fund are executed may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, online quotations, news and research services, financial publications and other products and services (e.g., software based applications for market quotes and news, database programs providing investment and industry data) providing lawful and appropriate assistance to the portfolio managers and their designees in the performance of their investment decision-making responsibilities on behalf of the Fund and other accounts which they and their affiliates manage (collectively, "Soft Dollar Items"). FS Multi-Alternative Advisor, and the Sub-Advisers and their affiliates generally will use such products and services (if any) for the benefit of all of their accounts. Soft Dollar Items may be provided directly by brokers, by third parties at the direction of brokers or purchased on behalf of the Fund and its affiliates with credits or rebates provided by brokers. Any Soft Dollar Items obtained in connection with portfolio transactions for the Fund are intended to fall within the "safe harbor" of Section 28(e) of the Exchange Act of 1934, as amended.

FS Multi-Alternative Advisor or the Sub-Advisers may also place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Fund, FS Multi-Alternative Advisor or the Sub-Advisers, as applicable, if they reasonably believe that the quality of execution and the commission are comparable to that available from other qualified firms. Similarly, to the extent permitted by law and subject to the same considerations on quality of execution and comparable commission rates, FS Multi-Alternative Advisor or a Sub-Adviser may direct an executing broker to pay a portion or all of any commissions, concessions or discounts to a firm supplying research or other services.

Certain portfolio securities in which the Fund expects to invest (principally, fixed-income securities) normally will be purchased in principal transactions directly from the issuer or in the OTC market from an underwriter or market maker for the securities. Purchases from underwriters of portfolio securities include a commission or concession paid by the issuer to the underwriter and purchases from dealers serving as market makers include a spread or markup to the dealer between the bid and ask price. Sales to dealers generally will be effected at bid prices.

The Fund may also purchase certain money market instruments directly from an issuer, in which case no commissions or discounts are paid (although the Fund may indirectly bear fees and expenses of any money market funds in which it invests), or may purchase and sell listed securities on an exchange, which are effected through brokers who charge a commission for their services.

FS Multi-Alternative Advisor and the Sub-Advisers may place portfolio transactions for the Fund at or about the same time as for other advisory accounts, including other investment companies. FS Multi-Alternative Advisor and the Sub-Advisers will seek to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or sell securities for the Fund and another advisory account. In some cases, this procedure could have an adverse effect on the price or the amount of securities available to the Fund. In making such allocations among the Fund and other advisory accounts, the main factors considered by FS Multi-Alternative Advisor and the Sub-Advisers are the respective sizes of the Fund and other advisory accounts, the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and opinions of the persons responsible for recommending the investment.

The placing and execution of orders for the Fund also is subject to restrictions under U.S. securities laws, including certain prohibitions against trading among the Fund and its affiliates (including FS Multi-Alternative Advisor, the Sub-Advisers or their respective affiliates). Certain broker-dealers, through which the Fund may effect securities transactions, may be affiliated persons (as defined in the 1940 Act) of the Fund or affiliated persons of such affiliates. The Board has adopted certain policies incorporating the standards of Rule 17e-1 issued by the SEC under the 1940 Act which require that the commissions paid to affiliates of the Fund be reasonable and fair compared to the commissions, fees or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time. The rule and procedures also contain review requirements and require FS Multi-Alternative Advisor and the Sub-Advisers to furnish reports to the Trustees and to maintain records in connection with such reviews. In addition, the Fund may purchase securities in a placement for which affiliates of FS Multi-Alternative Advisor or the Sub-Advisers have acted as agent to or for issuers, consistent with applicable rules adopted by the SEC or regulatory authorization, if necessary. The Fund does not purchase securities from or sell securities to any affiliate of FS Multi-Alternative Advisor or the Sub-Advisers acting as principal. FS Multi-Alternative Advisor and the Sub-Advisers are prohibited from directing brokerage transactions on the basis of the referral of clients or the sale of shares of advised investment companies.

PROXY VOTING POLICY AND PROXY VOTING RECORD

The Fund has delegated its proxy voting responsibility to FS Multi-Alternative Advisor. In addition, FS Multi-Alternative Advisor has delegated the responsibilities of voting and administering proxies received by the Fund to KKR Credit and the GoldenTree Sub-Adviser with respect to the allocated portion of the Fund's assets managed by each such sub-adviser. The proxy voting policies and procedures of FS Multi-Alternative Advisor are set forth below. The guidelines are reviewed periodically by FS Multi-Alternative Advisor and the Independent Trustees and, accordingly, are subject to change.

As investment advisers registered under the Advisers Act, FS Multi-Alternative Advisor, KKR Credit and the GoldenTree Sub-Adviser have a fiduciary duty to act solely in the best interests of their respective clients. As part of this duty, they must vote client securities in a timely manner free of conflicts of interest and in the best interests of their respective clients.

These policies and procedures for voting proxies for the investment advisory clients of FS Multi-Alternative Advisor are intended to comply with Section 206 of, and Rule 206(4)-6 promulgated under, the Advisers Act. FS Multi-Alternative Advisor will vote proxies relating to securities in the best interest of its clients. FS Multi-Alternative Advisor has delegated to KKR Credit and the GoldenTree Sub-Adviser the responsibility to review on a case-by-case basis each proposal submitted for a Shareholder vote to determine its impact on the allocated portion of the portfolio securities held by FS Multi-Alternative Advisor's clients. Although a sub-adviser will generally vote against proposals that may have a negative impact on portfolio securities, it may vote for such a proposal if there exist compelling long-term reasons to do so. The GoldenTree Sub-Adviser and KKR Credit will provide to FS Multi-Alternative Advisor their proxy voting policies and procedures and certify to their adherence to the policies and procedures. Furthermore, the GoldenTree Sub-Adviser and KKR Credit will provide to the FS Multi-Alternative Advisor, in a timely manner, a record of all proxies voted. FS Multi-Alternative Advisor has a responsibility to submit proxy voting records annually based on applicable federal statutes and regulations.

The proxy voting decisions of a sub-adviser will be reviewed periodically by FS Multi-Alternative Advisor's chief compliance officer to ensure observance to the policies and procedures and to review that votes are not the product of a conflict of interest. FS Multi-Alternative Advisor requires that: (a) anyone involved in the decision-making process disclose to FS Multi-Alternative Advisor's chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (b) employees involved in the decision making process or vote administration are prohibited from revealing how the sub-adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

The GoldenTree Sub-Adviser and KKR Credit, as applicable, including without limitation their designees, shall have the power to vote, either in person or by proxy, all securities and other investments in which the GoldenTree Sub-Adviser's assets or KKR Credit's assets may be invested from time to time, and shall not be required to seek or take instructions from, FS Multi-Alternative Advisor or the Fund. The GoldenTree Sub-Adviser and KKR Credit each have established a written procedure for proxy voting in compliance with current applicable rules and regulations, including but not limited to Rule 30b1-4 under the 1940 Act. The GoldenTree Sub-Adviser and KKR Credit each have established a process for the timely distribution of its voting record with respect to the Fund's securities and other information necessary for the Fund to complete information required by Form N-2 under the 1940 Act and the Securities Act of 1933, as amended, Form N-PX under the 1940 Act, and Form N-CSR under the Sarbanes-Oxley Act of 2002, as amended.

A copy of the Fund's proxy voting policy is attached as Appendix B. Information regarding how FS Multi-Alternative Advisor votes proxies with respect to the Fund's portfolio securities for the 12-month periods ending June 30 will be available without charge by (i) making a written request to the Fund's Chief Compliance Officer, FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112 or by calling the Fund collect at (215) 495-1150; and (ii) on the Commission's website at http://www.sec.gov.

Proxy Policies of KKR Credit

As an investment adviser registered under Advisers Act, KKR Credit has a fiduciary duty to act in the best interests of its clients and will vote proxies relating to the allocated portion of the Fund's assets that it manages in a manner that it believes, in its discretion, to be in the best interest of the Fund's shareholders. These policies and procedures for voting proxies for the investment advisory clients of KKR Credit are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

KKR Credit has engaged Institutional Shareholder Services, Inc. ("ISS") to provide KKR Credit with its independent analysis and recommendation with respect to generally all proxy proposals voted on behalf of its clients, with respect to both U.S. and non-U.S. securities of publicly traded companies. KKR Credit utilizes ISS to assist with its proxy voting; however, KKR Credit retains ultimate voting discretion with respect to its clients. KKR Credit may depart from an ISS recommendation in order to avoid voting decisions believed to be contrary to the best interests of its clients. In each instance where KKR Credit votes contrary to the ISS recommendation, KKR Credit's legal/compliance group, in conjunction with the KKR Credit investment analyst who provides coverage for the relevant issuer, will document the basis for its contrary voting decision. KKR Credit may choose not to vote proxies in certain situations. If KKR Credit becomes aware of an existing or potential conflict of interest relating to a particular proxy proposal, the KKR Credit Conflicts Committee will be notified to provide guidance as to the conflict. If such a conflict exists, the proxy must be voted in alignment with the recommendation set forth by ISS.

You may obtain information regarding how KKR Credit votes proxies with respect to the Fund's portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, c/o FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

Proxy Policies of the GoldenTree Sub-Adviser

As an investment adviser registered under the Advisers Act, the GoldenTree Sub-Adviser has a fiduciary duty to act in the best interests of its clients. These policies and procedures for voting proxies for the investment advisory clients of the GoldenTree Sub-Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

The GoldenTree Sub-Adviser will vote proxies relating to the allocated portion of the Fund's assets that it manages in a manner that it believes to be in the best interest of the Fund's shareholders.

The GoldenTree Sub-Adviser has engaged ISS to provide the GoldenTree Sub-Adviser with its independent analysis and recommendation with respect to proxy proposals voted on behalf of its clients. The GoldenTree Sub-Adviser utilizes ISS to assist with its proxy voting, however, the GoldenTree Sub-Adviser retains voting discretion with respect to its Clients and may depart from an ISS recommendation in order to avoid voting decisions believed to be contrary to the best interests of its clients. In exercising voting discretion on behalf of its clients and in instances where the GoldenTree Sub-Adviser departs from an ISS recommendation, the GoldenTree Sub-Adviser will seek to avoid any direct or indirect conflict of interest.

You may obtain information regarding how the GoldenTree Sub-Adviser votes proxies with respect to the Fund's portfolio securities by making a written request for proxy voting information to: Chief Compliance Officer, c/o FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

A principal shareholder is any person who owns (either of record or beneficially) 5% or more of the outstanding shares of any class of the Fund. A control person is one who owns, either directly or indirectly, more than 25% of the voting securities of the Fund or acknowledges the existence of such control. A control person can have a significant impact on the outcome of a shareholder vote.

In September 2018, March 2019, April 2019 and June 2019, FS Investments (or its affiliates) purchased $31.4 million, $800,000, $40,000 and $6.8 million, respectively, in Shares and has agreed to purchase up to $2.4 million in additional Shares in the future. FS Investments and its affiliates therefore may own a significant percentage of the Fund's outstanding Shares following commencement of the Offering and for the foreseeable future. This ownership will fluctuate as other investors subscribe for Shares in this offering and any other offerings the Fund may determine to conduct in the future, and as the Fund repurchases Shares pursuant to its quarterly repurchase offers. Depending on the size of this ownership at any given point in time, it is expected that FS Investments will, for the foreseeable future, either control the Fund or be in a position to exercise a significant influence on the outcome of any matter put to a vote of investors. See “Plan of Distribution” in the Prospectus.

As of July 10, 2019, the Shareholders indicated below were considered to be either a control person or principal shareholder of the Fund:

Class I

Name and Address	Percentage Owned	Type of Ownership
FSMAIF SCV Feeder I LLC 201 Rouse Boulevard Philadelphia, PA 19112	99.50%	Record
Franklin Square Holdings, L.P. 201 Rouse Boulevard Philadelphia, PA 19112	99.50% 0.14%	Beneficial Record
Michael C. Forman 201 Rouse Boulevard Philadelphia, PA 19112	99.64% 0.36%	Beneficial Record
David J. Adelman 201 Rouse Boulevard Philadelphia, PA 19112	99.64%	Beneficial

Class A

Name and Address	Percentage Owned	Type of Ownership
FSMAIF SCV Feeder I LLC 201 Rouse Boulevard Philadelphia, PA 19112	100%	Record
Franklin Square Holdings, L.P. 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
Michael C. Forman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
David J. Adelman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial

Class L

Name and Address	Percentage Owned	Type of Ownership
FSMAIF SCV Feeder I LLC 201 Rouse Boulevard Philadelphia, PA 19112	100%	Record
Franklin Square Holdings, L.P. 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
Michael C. Forman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
David J. Adelman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial

Class M

Name and Address	Percentage Owned	Type of Ownership
FSMAIF SCV Feeder I LLC 201 Rouse Boulevard Philadelphia, PA 19112	100%	Record
Franklin Square Holdings, L.P. 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
Michael C. Forman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
David J. Adelman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial

Class T

Name and Address	Percentage Owned	Type of Ownership
FSMAIF SCV Feeder I LLC 201 Rouse Boulevard Philadelphia, PA 19112	100%	Record
Franklin Square Holdings, L.P. 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
Michael C. Forman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial
David J. Adelman 201 Rouse Boulevard Philadelphia, PA 19112	100%	Beneficial

The trustees and officers, as a group, owned 100% of the Fund as of July 10, 2019.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

An independent registered public accounting firm for the Fund will perform an annual audit of the Fund's financial statements. The Board has engaged Ernst & Young LLP, located at One Commerce Square, Suite 700, 2005 Market Street, Philadelphia, PA 19103, to serve as the Fund's independent registered public accounting firm.

LEGAL COUNSEL

Certain legal matters regarding the Shares offered hereby have been passed upon by Drinker Biddle & Reath LLP, One Logan Square, Ste. 2000, Philadelphia, Pennsylvania 19103-6996.

ADMINISTRATOR

FS Multi-Alternative Advisor serves as the Fund's administrator. The Fund has also contracted with State Street Bank and Trust Company ("State Street") to provide various accounting and administrative services, including preparing preliminary financial information for review by FS Multi-Alternative Advisor, preparing and monitoring expense budgets, maintaining accounting books and records, processing trade information for the Fund and performing certain portfolio compliance testing.

CUSTODIAN

State Street, which has its principal office at One Lincoln Street, Boston, Massachusetts 02111, serves as custodian for the Fund.

ADDITIONAL INFORMATION

A registration statement on Form N-2, including amendments thereto, relating to the Shares offered hereby, has been filed by the Fund with the SEC. The Prospectus and this Statement of Additional Information do not contain all of the information set forth in the registration statement, including any exhibits and schedules thereto. For further information with respect to the Fund and the Shares offered hereby, reference is made to the registration statement. A copy of the registration statement may be reviewed on the EDGAR database on the SEC's website at *http://www.sec.gov*. Prospective investors can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov).

APPENDIX A

DESCRIPTION OF SECURITIES RATINGS

Short-Term Credit Ratings

An ***S&P Global Ratings*** short-term issue credit rating is generally assigned to those obligations considered short-term in the relevant market. The following summarizes the rating categories used by S&P Global Ratings for short-term issues:

"A-1" — A short-term obligation rated "A-1" is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

"A-2" — A short-term obligation rated "A-2" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.

"A-3" — A short-term obligation rated "A-3" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken an obligor's capacity to meet its financial commitments on the obligation.

"B" — A short-term obligation rated "B" is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.

"C" — A short-term obligation rated "C" is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation.

"D" — A short-term obligation rated "D" is in default or in breach of an imputed promise. For non-hybrid capital instruments, the "D" rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The "D" rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to "D" if it is subject to a distressed exchange offer.

Local Currency and Foreign Currency Ratings — S&P Global Ratings' issuer credit ratings make a distinction between foreign currency ratings and local currency ratings. A foreign currency rating on an issuer will differ from the local currency rating on it when the obligor has a different capacity to meet its obligations denominated in its local currency, vs. obligations denominated in a foreign currency.

Moody's Investors Service ("Moody's") short-term ratings are forward-looking opinions of the relative credit risks of financial obligationswith an original maturity of thirteen months or less and reflect both on the likelihood of a default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

"P-1" — Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

"P-2" — Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

"P-3" — Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

“NP” — Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

“NR” — Is assigned to an unrated issuer.

Fitch, Inc./Fitch Ratings Ltd. (“Fitch”) short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-term deposit ratings may be adjusted for loss severity. Short-term ratings are assigned to obligations whose initial maturity is viewed as “short-term” based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations and up to 36 months for obligations in U.S. public finance markets. The following summarizes the rating categories used by Fitch for short-term obligations:

“F1” — Securities possess the highest short-term credit quality. This designation indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

“F2” — Securities possess good short-term credit quality. This designation indicates good intrinsic capacity for timely payment of financial commitments.

“F3” — Securities possess fair short-term credit quality. This designation indicates that the intrinsic capacity for timely payment of financial commitments is adequate.

“B” — Securities possess speculative short-term credit quality. This designation indicates minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

“C” — Securities possess high short-term default risk. Default is a real possibility.

“RD” — Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

“D” — Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Plus (+) or minus (-) — The “F1” rating may be modified by the addition of a plus (+) or minus (-) sign to show the relative status within that major rating category.

“NR” — Is assigned to an unrated issue of a rated issuer.

The ***DBRS® Ratings Limited (“DBRS”)*** short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R-1 and R-2 rating categories are further denoted by the sub-categories “(high)”, “(middle)”, and “(low)”.

The following summarizes the ratings used by DBRS for commercial paper and short-term debt:

“R-1 (high)” — Short-term debt rated “R-1 (high)” is of the highest credit quality. The capacity for the payment of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.

“R-1 (middle)” — Short-term debt rated “R-1 (middle)” is of superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from “R-1 (high)” by a relatively modest degree. Unlikely to be significantly vulnerable to future events.

“R-1 (low)” — Short-term debt rated “R-1 (low)” is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favorable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

“R-2 (high)” — Short-term debt rated “R-2 (high)” is considered to be at the upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events.

“R-2 (middle)” — Short-term debt rated “R-2 (middle)” is considered to be of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events or may be exposed to other factors that could reduce credit quality.

“R-2 (low)” — Short-term debt rated “R-2 (low)” is considered to be at the lower end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. May be vulnerable to future events. A number of challenges are present that could affect the issuer’s ability to meet such obligations.

“R-3” — Short-term debt rated “R-3” is considered to be at the lowest end of adequate credit quality. There is a capacity for the payment of short-term financial obligations as they fall due. May be vulnerable to future events and the certainty of meeting such obligations could be impacted by a variety of developments.

“R-4” — Short-term debt rated “R-4” is considered to be of speculative credit quality. The capacity for the payment of short-term financial obligations as they fall due is uncertain.

“R-5” — Short-term debt rated “R-5” is considered to be of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet short-term financial obligations as they fall due.

“D” — Short-term debt rated “D” is assigned when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods, a downgrade to “D” may occur. DBRS may also use “SD” (Selective Default) in cases where only some securities are impacted, such as the case of a “distressed exchange”.

Long-Term Credit Ratings

The following summarizes the ratings used by ***S&P Global Ratings*** for long-term issues:

“AAA” — An obligation rated “AAA” has the highest rating assigned by S&P Global Ratings. The obligor’s capacity to meet its financial commitments on the obligation is extremely strong.

“AA” — An obligation rated “AA” differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitments on the obligation is very strong.

“A” — An obligation rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitments on the obligation is still strong.

“BBB” — An obligation rated “BBB” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor’s capacity to meet its financial commitments on the obligation.

“BB,” “B,” “CCC,” “CC” and “C” — Obligations rated “BB,” “B,” “CCC,” “CC” and “C” are regarded as having significant speculative characteristics. “BB” indicates the least degree of speculation and “C” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.

“BB” — An obligation rated “BB” is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor’s inadequate capacity to meet its financial commitments on the obligation.

“B” — An obligation rated “B” is more vulnerable to nonpayment than obligations rated “BB”, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitments on the obligation.

“CCC” — An obligation rated “CCC” is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

“CC” — An obligation rated “CC” is currently highly vulnerable to nonpayment. The “CC” rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

“C” — An obligation rated “C” is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.

“D” — An obligation rated “D” is in default or in breach of an imputed promise. For non-hybrid capital instruments, the “D” rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation’s rating is lowered to “D” if it is subject to a distressed exchange offer.

Plus (+) or minus (-) — The ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

“NR” — This indicates that a rating has not been assigned, or is no longer assigned.

Local Currency and Foreign Currency Risks — S&P Global Ratings’ issuer credit ratings make a distinction between foreign currency ratings and local currency ratings. An issuer’s foreign currency rating will differ from its local currency rating when the obligor has a different capacity to meet its obligations denominated in its local currency, vs. obligations denominated in a foreign currency.

Moody’s long-term ratings are forward-looking opinions of the relative credit risks of financial obligations with an original maturity of one year or more. Such ratings reflect both on the likelihood of default or impairment on contractual financial obligations and the expected financial loss suffered in the event of default or impairment. The following summarizes the ratings used by Moody’s for long-term debt:

“Aaa” — Obligations rated “Aaa” are judged to be of the highest quality, subject to the lowest level of credit risk.

“Aa” — Obligations rated “Aa” are judged to be of high quality and are subject to very low credit risk.

“A” — Obligations rated “A” are judged to be upper-medium grade and are subject to low credit risk.

“Baa” — Obligations rated “Baa” are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

“Ba” — Obligations rated “Ba” are judged to be speculative and are subject to substantial credit risk.

“B” — Obligations rated “B” are considered speculative and are subject to high credit risk.

“Caa” — Obligations rated “Caa” are judged to be speculative of poor standing and are subject to very high credit risk.

“Ca” — Obligations rated “Ca” are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

“C” — Obligations rated “C” are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa." The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

"NR" — Is assigned to unrated obligations.

The following summarizes long-term ratings used by ***Fitch***:

"AAA" — Securities considered to be of the highest credit quality. "AAA" ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

"AA" — Securities considered to be of very high credit quality. "AA" ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

"A" — Securities considered to be of high credit quality. "A" ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

"BBB" — Securities considered to be of good credit quality. "BBB" ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

"BB" — Securities considered to be speculative. "BB" ratings indicate that there is an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

"B" — Securities considered to be highly speculative. "B" ratings indicate that material credit risk is present.

"CCC" — A "CCC" rating indicates that substantial credit risk is present.

"CC" — A "CC" rating indicates very high levels of credit risk.

"C" — A "C" rating indicates exceptionally high levels of credit risk.

Defaulted obligations typically are not assigned "RD" or "D" ratings but are instead rated in the "CCC" to "C" rating categories, depending on their recovery prospects and other relevant characteristics. Fitch believes that this approach better aligns obligations that have comparable overall expected loss but varying vulnerability to default and loss.

Plus (+) or minus (-) may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the "AAA" obligation rating category, or to corporate finance obligation ratings in the categories below "CCC".

"NR" — Is assigned to an unrated issue of a rated issuer.

The ***DBRS*** long-term rating scale provides an opinion on the risk of default. That is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. The following summarizes the ratings used by DBRS for long-term debt:

"AAA" — Long-term debt rated "AAA" is of the highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

"AA" — Long-term debt rated "AA" is of superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from "AAA" only to a small degree. Unlikely to be significantly vulnerable to future events.

"A" — Long-term debt rated "A" is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than "AA." May be vulnerable to future events, but qualifying negative factors are considered manageable.

"BBB" — Long-term debt rated "BBB" is of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events.

"BB" — Long-term debt rated "BB" is of speculative, non-investment grade credit quality. The capacity for the payment of financial obligations is uncertain. Vulnerable to future events.

"B" — Long-term debt rated "B" is of highly speculative credit quality. There is a high level of uncertainty as to the capacity to meet financial obligations.

"CCC", "CC" and "C" — Long-term debt rated in any of these categories is of very highly speculative credit quality. In danger of defaulting on financial obligations. There is little difference between these three categories, although "CC" and "C" ratings are normally applied to obligations that are seen as highly likely to default, or subordinated to obligations rated in the "CCC" to "B" range. Obligations in respect of which default has not technically taken place but is considered inevitable may be rated in the "C" category.

"D" — A security rated "D" is assigned when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to satisfy an obligation after the exhaustion of grace periods, a downgrade to "D" may occur. DBRS may also use "SD" (Selective Default) in cases where only some securities are impacted, such as the case of a "distressed exchange".

Municipal Note Ratings

An ***S&P Global Ratings*** U.S. municipal note rating reflects S&P Global Ratings' opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P Global Ratings' analysis will review the following considerations:

- Amortization schedule — the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and
- Source of payment — the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Municipal Short-Term Note rating symbols are as follows:

"SP-1" — A municipal note rated "SP-1" exhibits a strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

"SP-2" — A municipal note rated "SP-2" exhibits a satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

"SP-3" — A municipal note rated "SP-3" exhibits a speculative capacity to pay principal and interest.

"D" — This rating is assigned upon failure to pay the note when due, completion of a distressed exchange offer, or the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions.

Moody's uses the Municipal Investment Grade ("MIG") scale to rate U.S. municipal bond anticipation notes of up to five years maturity. Municipal notes rated on the MIG scale may be secured by either pledged revenues or proceeds of a take-out financing received prior to note maturity. MIG ratings expire at the maturity of the obligation, and the issuer's long-term rating is only one consideration in assigning the MIG rating. MIG ratings are divided into three levels — "MIG-1" through "MIG-3" while speculative grade short-term obligations are designated "SG". The following summarizes the ratings used by Moody's for short-term municipal obligations:

"MIG-1" — This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

"MIG-2" — This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

"MIG-3" — This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

"SG" — This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

"NR" — Is assigned to an unrated obligation.

In the case of variable rate demand obligations ("VRDOs"), a two-component rating is assigned: a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of risk associated with the ability to receive purchase price upon demand ("demand feature"). The second element uses a rating from a variation of the MIG scale called the Variable Municipal Investment Grade or "VMIG" scale. The rating transitions on the VMIG scale differ from those on the Prime scale to reflect the risk that external liquidity support generally will terminate if the issuer's long-term rating drops below investment grade.

"VMIG-1" — This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"VMIG-2" — This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"VMIG-3" — This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

"SG" — This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

"NR" — Is assigned to an unrated obligation.

About Credit Ratings

An ***S&P Global Ratings*** issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P Global Ratings' view of the obligor's capacity and willingness to meet its financial commitments as they come due, and this opinion may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Ratings assigned on ***Moody's*** global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities.

Fitch's credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Fitch credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. Fitch's credit ratings cover the global spectrum of corporate, sovereign financial, bank, insurance, and public finance entities (including supranational and sub-national entities) and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

Credit ratings provided by ***DBRS*** are forward-looking opinions about credit risk which reflect the creditworthiness of an issuer, rated entity, and/or security. Credit ratings are not statements of fact. While historical statistics and performance can be important considerations, credit ratings are not based solely on such; they include subjective considerations and involve expectations for future performance that cannot be guaranteed. To the extent that future events and economic conditions do not match expectations, credit ratings assigned to issuers and/or securities can change. Credit ratings are also based on approved and applicable Methodologies ("Methodologies"), which are periodically updated and when material changes are deemed necessary, this may also lead to rating changes.

Credit ratings typically provide an opinion on the risk that investors may not be repaid in accordance with the terms under which the obligation was issued. In some cases, credit ratings may also include consideration for the relative ranking of claims and recovery, should default occur. Credit ratings are meant to provide opinions on relative measures of risk and are not based on expectations of any specific default probability, nor are they meant to predict such.

The data and information on which DBRS bases its opinions is not audited or verified by DBRS, although, DBRS conducts a reasonableness review of information received and relied upon in accordance with its Methodologies and policies.

DBRS uses rating symbols as a concise method of expressing its opinion to the market, but there are a limited number of rating categories for the possible slight risk differentials that exist across the rating spectrum and DBRS does not assert that credit ratings in the same category are of "exactly" the same quality.

Appendix B

FS MULTI-ALTERNATIVE INCOME FUND

PROXY VOTING POLICIES AND PROCEDURES

FS Multi-Alternative Income Fund, a Delaware statutory trust (the ***"Fund"***), has delegated its proxy voting responsibility to its investment adviser, FS Multi-Alternative Advisor, LLC (the ***"Adviser"***). The Proxy Voting Policies and Procedures of the Adviser are set forth below. (The guidelines are reviewed periodically by the Adviser and the Fund's non-interested trustees, and, accordingly, are subject to change.) In addition, the Adviser has delegated the responsibilities of voting and administering proxies received by the Fund to certain of the Fund's sub-advisers with respect to the allocated portion of the Fund's assets managed by that sub-adviser.

Introduction

As an investment adviser registered under the Investment Advisers Act of 1940, as amended (the ***"Advisers Act"***), the Adviser has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, the Adviser recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for the investment advisory clients of the Adviser are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

The Adviser will delegate to certain of its sub-adviser(s) the responsibility of voting of proxies with respect to the portion of Fund assets managed by that sub-adviser. The Adviser has delegated to certain sub-advisers the responsibility to review on a case-by-case basis each proposal submitted for a shareholder vote to determine its impact on the allocation portion of the portfolio securities held by clients of the Adviser. Although the sub-adviser will generally vote against proposals that may have a negative impact on portfolio securities, it may vote for such a proposal if there exists compelling long-term reasons to do so. The sub-adviser will provide to the Adviser its proxy voting policies and procedures and certify to its adherence to the policies and procedures. Furthermore, the sub-adviser will provide to the Adviser, in a timely manner, a record of all proxies voted. The Adviser has a responsibility to submit proxy voting records annually based on applicable federal statutes and regulations.

The proxy voting decisions of the sub-adviser will be reviewed periodically by the Adviser's Chief Compliance Officer to ensure observance to the policies and procedures and to review that votes are not the product of a conflict of interest. The Adviser requires that: (i) anyone involved in the decision-making process disclose to the Adviser's Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision-making process or vote administration are prohibited from revealing how the sub-adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy Voting Records

Information regarding how the Adviser voted proxies with respect to the Fund's portfolio securities during the most recent 12-month period ending June 30 will be available without charge by making a written request to the Fund's Chief Compliance Officer, FS Multi-Alternative Income Fund, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112 or by calling the Fund collect at (215) 495-1150, or on the SEC's website at http://www.sec.gov.

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The Shareholder and Board of Trustees of FS Multi-Alternative Income Fund

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of asset and liabilities of FS Multi-Alternative Income Fund (the "Fund"), including the consolidated schedule of investments, as of October 31, 2018, and the related consolidated statements of operations, cash flows, changes in net assets and the consolidated financial highlights for the period from September 27, 2018 (commencement of operations) through October 31, 2018 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Fund at October 31, 2018, the consolidated results of its operations, its cash flows and changes in its net assets and its consolidated financial highlights for the period from September 27, 2018 (commencement of operations) through October 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 audit 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 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 audit 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 audit included performing procedures to assess the risks of material misstatement of the financial statements, 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. Our procedures included confirmation of securities owned as of October 31, 2018, by correspondence with the custodians and others or by other appropriate auditing procedures where replies from others were not received. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Ernst & Young LLP

We have served as auditor of one or more FS Investments investment companies since 2013.

Philadelphia, Pennsylvania
December 28, 2018

FS Multi-Alternative Income Fund

Consolidated Schedule of Investments
As of October 31, 2018
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Number of Shares	Cost	Fair Value[(c)]
Real Estate Funds—19.3%					
Brookfield Premier Real Estate Partners		Real Estate	1,567	$2,000	$2,018
CBRE U.S. Core Partners, LP		Real Estate	1,420,455	2,000	2,016
Clarion Lion Properties Fund		Real Estate	1,345	2,000	2,015
Total Real Estate Funds				6,000	6,049

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Senior Secured Loans—First Lien—18.3%					
Advantage Sales & Marketing, Inc., L + 325, 1.00% Floor, 7/23/2021	(d)(e)	Media Entertainment	$418	391	382
AHP Health Partners, Inc., L + 450, 1.00% Floor, 6/30/2025	(d)(e)(f)	Healthcare	295	298	297
APX Group, Inc., L + 500, 3/31/2024	(d)(e)	Consumer Cyclical Services	294	294	292
BCP Raptor II, LLC, L + 475, 12/19/2025	(d)(e)	Energy Midstream	201	200	199
BCP Raptor, LLC, L + 425, 1.00% Floor, 6/30/2024	(d)(e)	Energy Midstream	206	205	204
Belk, Inc., L + 475, 1.00% Floor, 12/10/2022	(d)(e)	Retailers	473	412	398
California Resources Corp., L + 475, 1.00% Floor, 12/31/2022	(d)(e)(f)	Independent Oil & Gas	380	389	387
Diamond Resorts Corp., L + 375, 1.00% Floor, 9/2/2023	(d)(e)	Lodging	205	200	200
EIF Van Hook Holdings, LLC, L + 525, 9/5/2024	(e)	Energy Midstream	400	394	393
Employbridge LLC, L + 450, 1.00% Floor, 4/18/2025	(d)(e)	Consumer Cyclical Services	198	200	200
Foresight Energy, LLC, L + 575, 1.00% Floor, 3/28/2022	(d)(e)	Metals & Mining	295	297	296
J.C. Penney Corp., Inc., L + 425, 1.00% Floor, 6/23/2023	(d)(e)	Retailers	221	198	199
Jo-Ann Stores, Inc., L + 500, 1.00% Floor, 10/20/2023	(d)(e)	Retailers	148	149	148
LifePoint Hospitals Inc., L + 600, 10/30/2019	(d)(e)(g)	Health Care Facilities & Services	330	330	330
MLN US HoldCo LLC, L + 450, 11/30/2025	(d)(e)	Technology	392	398	396
Neiman Marcus Group Ltd., LLC, L + 325, 1.00% Floor, 10/25/2020	(d)(e)(f)	Retailers	329	306	300

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Schedule of Investments (Continued)
As of October 31, 2018
(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Principal Amount[b]	Amortized Cost	Fair Value[c]
Nomad Buyer, Inc., L + 500, 8/3/2025	(d)(e)	Technology	$ 78	$ 76	$ 76
Premier Oil plc Senior Revolver, L + 500, 5/31/2021	(d)(e)(f)	Independent Oil & Gas	249	235	235
Premier Oil plc Super Senior Revolver, L + 500, 5/31/2021	(d)(e)(f)	Independent Oil & Gas	76	72	71
R.R. Donnelley & Sons Company, L + 500, 1.00% Floor, 1/15/2024	(d)(e)(f)	Media Entertainment	150	150	149
Sequa Mezzanine Holdings L.L.C., L + 500, 1.00% Floor, 11/28/2021	(d)(e)	Aerospace/Defense	300	297	297
SGS Cayman, L.P., L + 500, 1.00% Floor, 4/23/2021	(d)(e)	Consumer Cyclical Services	77	74	74
Sutherland Global Services Inc., L + 538, 1.00% Floor, 4/23/2021	(d)(e)	Consumer Cyclical Services	331	317	320
UTEX Industries Inc., L + 400, 1.00% Floor, 5/22/2021	(d)(e)(f)	Chemicals	230	229	226
Total Senior Secured Loans—First Lien				6,111	6,069
Unfunded Loan Commitment				(330)	(330)
Net Senior Secured Loans—First Lien				5,781	5,739
Senior Secured Loans—Second Lien—3.5%					
Comet Acquisition, Inc., L + 750, 10/26/2026	(d)(e)	Healthcare	44	43	44
Flexential Intermediate Corp., L + 725, 1.00% Floor, 8/1/2025	(d)(e)	Computers & Electronics	70	69	69
GOBP Holdings, Inc., L + 725, 10/22/2026	(d)(e)	Retail Food & Drug	62	62	62
Sequa Mezzanine Holdings LLC, L + 900, 1.00% Floor, 4/28/2022	(d)(e)	Aerospace/Defense	203	200	200
UTEX Industries Inc., L + 725, 1.00% Floor, 5/22/2022	(d)(f)(h)	Chemicals	230	228	225
Vectra Co., L + 725, 3/9/2026	(d)(e)	Chemicals	102	102	102
Verifone Systems, Inc., L + 800, 8/20/2026	(d)(e)(f)	Technology	305	304	305
WireCo WorldGroup, Inc., L + 900, 1.00% Floor, 9/30/2024	(d)(e)	Other Industrial	104	105	105
Total Senior Secured Loans—Second Lien				1,113	1,112

See notes to consolidated financial statements.

Consolidated Schedule of Investments (Continued)
As of October 31, 2018
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Senior Secured Bonds—15.2%					
BC ULC/New Red Finance Inc., 5.0%, 10/15/2025	(f)(i)	Retail	$ 5	$ 5	$ 5
Altice France SA/France, 8.1%, 2/1/2027	(f)(i)	Media Entertainment	675	687	669
APX Group Inc., 8.8%, 12/1/2020		Commercial Services	107	107	105
Artesyn Embedded Technologies Inc., 9.8%, 10/15/2020	(i)	Electrical Components & Equipment	81	77	77
Avantor Inc., 4.8%, 10/1/2024	(f)	Healthcare-Products	€257	301	297
BCD Acquisition Inc., 9.6%, 9/15/2023	(f)(i)	Auto Manufacturers	$112	118	119
CSI Compressco LP/CSI Compressco Finance Inc., 7.5%, 4/1/2025	(f)(i)	Oil & Gas Services	450	457	455
Denbury Resources Inc., 9.3%, 3/31/2022	(f)(i)	Oil & Gas	215	230	225
DJO Finance LLC/DJO Finance Corp., 8.1%, 6/15/2021	(i)	Healthcare-Products	197	201	199
EP Energy LLC/Everest Acquisition Finance, Inc., 7.8%, 5/15/2026	(f)(i)	Oil & Gas	148	149	148
Frontier Communications Corp., 8.5%, 4/1/2026	(f)(i)	Telecommunications	240	227	224
Genesys Telecommunications Laboratories Inc./Greeneden Lux 3 Sarl/Greeneden US Ho, 10.0%, 11/30/2024	(i)	Software	457	499	498
Hexion Inc., 6.6%, 4/15/2020	(f)	Chemicals	251	231	222
Hudbay Minerals Inc., 7.3%, 1/15/2023	(f)(i)	Mining	22	22	22
Hudbay Minerals Inc., 7.6%, 1/15/2025	(f)(i)	Mining	29	29	29
Intelsat Jackson Holdings SA, 5.5%, 8/1/2023		Telecommunications	205	191	184
JC Penney Corp, Inc., 8.1%, 10/1/2019		Retail	39	37	38
L Brands Inc., 6.9%, 11/1/2035	(f)	Retail	20	17	17
L Brands Inc., 6.8%, 7/1/2036	(f)	Retail	37	30	31
Pacific Drilling First Lien Escrow Issuer Ltd., 8.4%, 10/1/2023	(f)(i)	Oil & Gas	372	384	376
Pisces Midco Inc., 8.0%, 4/15/2026	(i)	Engineering & Construction	103	100	101
Solocal Group, 8.0%, 3/15/2022	(f)	Internet	€350	396	395
SRS Distribution Inc., 8.3%, 7/1/2026	(i)	Retail	$188	180	177
Transocean Phoenix 2 Ltd., 7.8%, 10/15/2024	(f)(i)	Oil & Gas Services	144	149	149
Total Senior Secured Bonds				4,824	4,762

See notes to consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Principal Amount[b]	Amortized Cost	Fair Value[c]
Unsecured Bonds—24.2%					
AHP Health Partners Inc., 9.8%, 7/15/2026	(f)(i)	Healthcare-Services	$305	$314	$311
APX Group Inc., 7.6%, 9/1/2023		Commercial Services	105	99	94
Banco de Sabadell SA, 6.5%	(f)	Commercial Banks	€200	232	220
Bausch Health Cos Inc., 4.5%, 5/15/2023	(f)	Pharmaceuticals	675	768	742
CaixaBank SA, 5.3%	(f)(j)	Commercial Banks	400	429	414
CBS Radio Inc., 7.3%, 11/1/2024	(f)(i)	Media Entertainment	$320	302	303
Constellation Merger Sub Inc., 8.5%, 9/15/2025	(i)	Leisure Time	310	299	298
CrownRock LP/CrownRock Finance Inc., 5.6%, 10/15/2025	(f)(i)	Oil & Gas	46	44	44
Denbury Resources, Inc., 4.6%, 7/15/2023	(f)	Oil & Gas	175	154	145
Diamond Resorts International Inc., 10.8%, 9/1/2024	(i)	Lodging	71	71	70
Ensco PLC, 7.8%, 2/1/2026	(f)	Oil & Gas	315	307	294
Frontier Communications Corp, 9.0%, 8/15/2031	(f)	Telecommunications	360	228	224
Frontier North Inc., 6.7%, 2/15/2028	(f)	Telecommunications	255	226	226
InterXion Holding NV, 4.8%, 6/15/2025	(f)	Software	€380	463	450
KGA Escrow LLC, 7.5%, 8/15/2023	(i)	Retail	$192	199	198
Lloyds Banking Group PLC, 7.5%	(f)(j)	Commercial Banks	200	200	201
Nine Energy Service Inc., 8.8%, 11/1/2023	(f)(i)	Oil & Gas Services	257	257	262
Provincia de Buenos Aires/Argentina, 4.0%, 5/15/2035	(f)(j)	Provincial	120	76	76
Provincia de Neuquen Argentina, 7.5%, 4/27/2025	(f)	Provincial	190	151	152
Puerto Rico Electric Power Authority, 5.3%, 7/1/2022	(f)(k)	Municipal	10	7	6
Puerto Rico Electric Power Authority, 5.3%, 7/1/2027	(f)(k)	Municipal	145	91	94
Puerto Rico Electric Power Authority, 5.3%, 7/1/2028	(f)(k)	Municipal	5	3	3
Puerto Rico Electric Power Authority, 5.0%, 7/1/2029	(f)(k)	Municipal	130	81	84
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 4.3%, 8/1/2017	(f)(k)	Municipal	85	39	42
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.4%, 8/1/2020	(f)(k)	Municipal	40	19	20

FS Multi-Alternative Income Fund

Consolidated Schedule of Investments (Continued)
As of October 31, 2018
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.0%, 8/1/2024	(f)(k)	Municipal	$ 40	$ 18	$ 20
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 0.0%, 8/1/2025	(f)(l)	Municipal	335	154	161
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.5%, 8/1/2028	(f)(k)	Municipal	15	7	7
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 0.0%, 8/1/2030	(f)(l)	Municipal	425	151	151
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.0%, 8/1/2035	(f)(k)	Municipal	50	23	24
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.5%, 8/1/2037	(f)(k)	Municipal	60	28	29
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.4%, 8/1/2038	(f)(k)	Municipal	35	16	17
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.4%, 8/1/2039	(f)(k)	Municipal	155	71	75
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 6.4%, 8/1/2039	(f)(k)	Municipal	10	5	5
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.3%, 8/1/2041	(f)(k)	Municipal	120	56	58
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 6.0%, 8/1/2042	(f)(k)	Municipal	95	44	47
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.5%, 8/1/2042	(f)(k)	Municipal	370	173	179
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue, 5.0%, 8/1/2043	(f)(k)	Municipal	35	16	17
SemGroup Corp/Rose Rock Finance Corp, 5.6%, 11/15/2023	(f)	Pipelines	320	307	303
Starfruit Finco BV/Starfruit US Holdco LLC, 8.0%, 10/1/2026	(i)	Chemicals	207	200	201
Uber Technologies Inc., 7.5%, 11/1/2023	(d)(f)(i)	Internet	17	17	17
Uber Technologies Inc., 8.0%, 11/1/2026	(d)(f)(i)	Internet	305	305	307
Verscend Escrow Corp, 9.8%, 8/15/2026	(f)(i)	Commercial Services	300	305	301
Vertiv Group Corp, 9.3%, 10/15/2024	(i)	Machinery-Construction & Mining	419	429	416
Vizient Inc., 10.4%, 3/1/2024	(f)(i)	Pharmaceuticals	280	305	305
Total Unsecured Bonds				7,689	7,613

See notes to consolidated financial statements.

Consolidated Schedule of Investments (Continued)
As of October 31, 2018
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Collateralized Loan Obligation (CLO)/ Structured Credit—8.8%					
Ares CLO 2015-35 RAD Ltd., 5.3%, 7/15/2030	(f)(i)(j)	USD CLO	$250	$ 250	$ 251
Ares CLO 2015-4ACR Ltd., 5.1%, 10/15/2030	(f)(i)(j)	USD CLO	250	247	248
Babson CLO Ltd 2018-AAD, 10/15/2030	(d)(f)(i)(j)(o)	USD CLO	250	250	250
Black Diamond CLO 2014-1 XD Ltd., 7.7%, 10/17/2026	(f)	USD CLO	250	249	250
Carlyle Global Market Strategies Euro CLO 2014-2X CRR Ltd., 11/17/2031	(d)(f)(o)	EUR CLO	€100	115	113
Harvest CLO 20XD DAC, 10/20/2031	(d)(f)(o)	EUR CLO	100	115	114
Jubilee CLO 2018-21 ACI, 1/15/2032	(d)(f)(i)(o)	EUR CLO	250	285	283
Jubilee CLO 2018-21 AD, 1/15/2032	(d)(f)(i)(o)	EUR CLO	250	285	283
Man GLG US CLO 2018-2 Ltd, 10/15/2028	(d)(f)(i)(j)(o)	USD CLO	$250	249	250
Oak Hill European Credit Partners 2018-7XD, 10/20/2031	(d)(f)(o)	EUR CLO	€100	116	113
Rockford Tower Europe CLO 2018-1AC, 12/20/2031	(d)(f)(i)(o)	EUR CLO	250	284	283
Tikehau CLO 4X D, 3.3%, 10/15/2031	(f)	EUR CLO	100	116	114
Toro European CLO 3X D, 3.3%, 4/15/2030	(f)	EUR CLO	100	116	114
Tymon Park CLO 1X E, 6.8%, 1/21/2029	(f)	EUR CLO	100	113	111
Total Collateralized Loan Obligation / Structured Credit				2,790	2,777

Portfolio Company[(a)]	Footnotes	Yield	Number of Shares	Cost[(b)]	Fair Value[(c)]
Short-Term Investments—37.3%					
State Street Institutional Treasury Plus Money Market Fund—Premier Class	(m)	2.08%	11,709,000	11,709	11,709
Total Short-Term Investments				11,709	11,709
TOTAL INVESTMENTS—126.6%				$39,906	$39,761
LIABILITIES IN EXCESS OF OTHER ASSETS—(26.6)%	(n)				(8,355)
NET ASSETS—100.0%					$31,406

See notes to consolidated financial statements.

(in thousands, except share amounts)

Investments Sold Short

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
U.S. Treasury—(0.0)%					
U.S. Treasury Note, 2.9%, 8/15/2028	(f)(o)	Sovereign	$(13)	$(13)	$(13)
Total Investments Sold Short				$(13)	$(13)

Forward Foreign Currency Exchange Contracts

Counterparty	Contract Settlement Date	Currency to be Received	Value	Currency to be Delivered	Value	Unrealized Appreciation	Unrealized Depreciation
Bank of America, N.A.	12/19/2018	USD	1,065	EUR	936	$25	—
Bank of America, N.A.	12/19/2018	USD	1,099	EUR	966	25	—
Bank of America, N.A.	12/19/2018	USD	233	EUR	205	5	—
Bank of America, N.A.	12/19/2018	USD	114	EUR	100	2	—
Bank of America, N.A.	12/19/2018	USD	115	EUR	101	—	—
Bank of America, N.A.	12/19/2018	USD	113	EUR	99	—	—
Bank of America, N.A.	12/19/2018	USD	115	EUR	101	1	—
Total Forward Foreign Currency Exchange Contracts						$58	—

EUR—Euro

USD—U.S. Dollar

Futures Contracts

Description	Number of Contracts	Position	Expiration Date	Notional Amount	Unrealized Appreciation	Unrealized Depreciation
Interest Rate Futures						
U.S 5-Year Treasury Note	1	Short	12/31/2018	$100	—	$—
U.S 10-Year Treasury Note	7	Short	12/19/2018	$700	—	3
Total Interest Rate Futures Contracts					—	$ 3

(in thousands, except share amounts)

Interest Rate Swaps

Counterparty	Fund Pays	Fund Receives	Notional Amount	Expiration Date	Periodic Payment Frequency	Fair Value[(c)]	Unrealized Appreciation	Unrealized Depreciation
JPMorgan Chase Bank, N.A.	3.31%	3 Month LIBOR	USD 17	4/24/2029	Semi-Annually	$—	$—	$—
JPMorgan Chase Bank, N.A.	3.23%	3 Month LIBOR	USD 17	4/29/2029	Semi-Annually	—	—	—
JPMorgan Chase Bank, N.A.	3.25%	3 Month LIBOR	USD 17	4/26/2029	Semi-Annually	—	—	—
JPMorgan Chase Bank, N.A.	3.26%	3 Month LIBOR	USD 533	4/18/2029	Semi-Annually	(1)	—	1
JPMorgan Chase Bank, N.A.	3.26%	3 Month LIBOR	USD 18	4/26/2029	Semi-Annually	—	—	—
JPMorgan Chase Bank, N.A.	3.26%	3 Month LIBOR	USD 7	4/25/2029	Semi-Annually	—	—	—
JPMorgan Chase Bank, N.A.	3.29%	3 Month LIBOR	USD 17	4/23/2029	Semi-Annually	—	—	—
Total Interest Rate Swaps						$(1)	$—	$1

(a) Security may be an obligation of one or more entities affiliated with the named company.

(b) Denominated in U.S. dollars unless otherwise noted.

(c) Fair value is determined by the board of trustees of FS Multi-Alternative Income Fund (the “Fund”). See Notes 2 and 8 for information on the Fund’s policy regarding valuation of investments, fair value hierarchy levels and other significant accounting policies.

(d) Position or portion thereof unsettled as of October 31, 2018.

(e) Certain variable rate securities in the Fund’s portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of October 31, 2018, the three-month London Interbank Offered Rate (“LIBOR” or “L”) was 2.56%.

(f) Security held in Fund’s wholly-owned subsidiary, FS Multi Alternative Credit LLC.

(g) Security is an unfunded commitment. The stated rate reflects the spread disclosed at the time of commitment and may not indicate the actual rate received upon funding.

(h) Certain variable rate securities in the Fund’s portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of October 31, 2018, the one-month LIBOR was 2.31%.

(i) Exempt from registration under Rule 144A of the Securities Act of 1933, as amended. Such securities may be deemed liquid by the investment adviser and may be resold, normally to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to $8,354, which represents approximately 26.6% of net assets as of October 31, 2018.

(j) Variable rate security. The stated interest rate represents the rate in effect at October 31, 2018.

(k) Security is in default.

(l) Issued with a zero coupon. Income is recognized through the accretion of discount.

(m) Rate represents the seven-day yield as of October 31, 2018.

(n) Includes the effect of forward foreign currency exchange contracts, futures contracts, interest rate swap positions and investments sold short.

(o) Security is non-income producing.

FS Multi-Alternative Income Fund

Consolidated Statement of Assets and Liabilities
(in thousands, except share and per share data)

	October 31, 2018
Assets	
Investments, at fair value (amortized cost—$39,906)	$ 39,761
Cash	191
Foreign currency (cost—$134)	133
Collateral held at broker[1]	49
Receivable for investments sold	225
Reimbursement due from adviser[2]	40
Interest receivable	207
Unrealized appreciation on forward foreign currency exchange contracts	58
Total assets	$ 40,664
Liabilities	
Investments sold short, at fair value (proceeds $13)	$ 13
Payable for variation margin on open futures contracts	3
Unrealized depreciation on interest rate swaps	1
Payable for investments purchased	9,141
Management fees payable	54
Administrative services expense payable	1
Accounting and administrative fees payable	3
Professional fees payable	37
Trustees' fees payable	1
Other accrued expenses and liabilities	4
Total liabilities	$ 9,258
Net assets	$ 31,406
Commitments and contingencies ($40)[3]	
Composition of net assets	
Common shares, $0.001 par value, unlimited shares authorized	$ 3
Capital in excess of par value	31,497
Accumulated earnings (deficit)	(94)
Net assets	$ 31,406
Class A Shares	
Net Assets	$ 20
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.46
Maximum Offering Price Per Share ($12.46 ÷ 94.25% of net asset value per share)	$ 13.22
Class I Shares	
Net Assets	$ 31,326
Shares Outstanding	2,513,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.46
Class L Shares	
Net Assets	$ 20
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.46
Maximum Offering Price Per Share ($12.46 ÷ 96.50% of net asset value per share)	$ 12.91

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Statement of Assets and Liabilities (Continued)
(in thousands, except share and per share data)

	October 31, 2018
Class M Shares	
Net Assets	$ 20
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.46
Class T Shares	
Net Assets	$ 20
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.46
Maximum Offering Price Per Share ($12.46 ÷ 96.50% of net asset value per share)	$ 12.91

(1) Represents cash on deposit at broker.

(2) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

(3) See Note 11 for a discussion of the Fund’s commitments and contingencies.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Statement of Operations
(in thousands)

	Period from September 27, 2018 (Commencement of Operations) to October 31, 2018
Investment income	
Interest income	$ 67
Total investment income	67
Operating expenses	
Management fees	54
Administrative services expenses	1
Accounting and administrative fees	3
Professional fees	37
Trustees' fees	1
Other general and administrative expenses	3
Total operating expenses	99
Less: Expense reimbursement[(1)]	(40)
Net operating expenses	59
Net investment income	8
Realized and unrealized gain/loss	
Net realized gain (loss) on investments	(13)
Net realized gain (loss) on foreign currency	(8)
Net change in unrealized appreciation (depreciation) on investments	(145)
Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts	58
Net change in unrealized appreciation (depreciation) on interest rate swaps	(1)
Net change in unrealized appreciation (depreciation) on open futures contracts	(3)
Net change in unrealized gain (loss) on foreign currency	10
Total net realized gain (loss) and unrealized appreciation (depreciation)	(102)
Net increase (decrease) in net assets resulting from operations	$ (94)

(1) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Statement of Changes in Net Assets
(in thousands)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Operations	
Net investment income	$ 8
Net realized gain (loss) on investments and foreign currency	(21)
Net change in unrealized appreciation (depreciation) on investments	(145)
Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts	58
Net change in unrealized appreciation (depreciation) on interest rate swaps	(1)
Net change in unrealized appreciation (depreciation) on open futures contracts	(3)
Net change in unrealized gain (loss) on foreign currency	10
Net increase (decrease) in net assets resulting from operations	(94)
Capital share transactions(1)	
Net increase in net assets resulting from capital share transactions	31,400
Total increase in net assets	31,306
Net assets at beginning of period	100
Net assets at end of period	$31,406

(1) See Note 3 for a discussion of the Fund's common share transactions.

FS Multi-Alternative Income Fund

Consolidated Statement of Cash Flows
(in thousands)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Cash flows from operating activities	
Net increase (decrease) in net assets resulting from operations	$ (94)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:	
Purchases of investments	(28,705)
Investments in money market fund, net	(11,709)
Proceeds from sales and repayments of investments	497
Proceeds from investments sold short	13
Net realized (gain) loss on investments	13
Net change in unrealized (appreciation) depreciation on investments	145
Net change in unrealized (appreciation) depreciation on forward foreign currency exchange contracts	(58)
Net change in unrealized (appreciation) depreciation on interest rate swaps	1
Net change in unrealized (appreciation) depreciation on futures contracts	3
Accretion of discount/amortization of premium	(2)
(Increase) decrease in collateral held at broker	(49)
(Increase) decrease in receivable for investments sold	(225)
(Increase) decrease in reimbursement due from adviser[(1)]	(40)
(Increase) decrease in interest receivable	(207)
Increase (decrease) in payable for investments purchased	9,141
Increase (decrease) in management fees payable	54
Increase (decrease) in administrative services expenses payable	1
Increase (decrease) in accounting and administrative fees payable	3
Increase (decrease) in professional fees payable	37
Increase (decrease) in trustees' fees payable	1
Increase (decrease) in other accrued expenses and liabilities	4
Net cash provided by (used in) operating activities	(31,176)
Cash flows from financing activities	
Issuance of common shares	31,400
Net cash provided by financing activities	31,400
Total increase (decrease) in cash	224
Cash at beginning of period	100
Cash at end of period	$ 324

(1) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class A Shares
(in thousands, except share and per share data)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]	
Net asset value, beginning of period	$12.50
Results of operations	
Net investment income (loss)[2]	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.04)
Net increase (decrease) in net assets resulting from operations	(0.04)
Net asset value, end of period	$12.46
Shares outstanding, end of period	1,600
Total return[3][4]	(0.32)%
Ratio/Supplemental Data:	
Net assets, end of period	$ 20
Ratio of net investment income (loss) to average net assets[5][6]	(0.03)%
Ratio of total expenses to average net assets[5]	3.68%
Ratio of expense reimbursement to average net assets[5]	(1.35)%
Ratio of net expenses to average net assets[5]	2.33%
Portfolio turnover rate[4]	2%

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the period.

(3) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculation set forth above represents the total return on the Fund's investment portfolio during the period on a per class basis and does not represent an actual return to shareholders.

(4) Information presented is not annualized.

(5) Average daily net assets is used for this calculation. Data is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(6) If the adviser had not reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been (1.38)% for the period. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class I Shares
(in thousands, except share and per share data)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]	
Net asset value, beginning of period	$ 12.50
Results of operations	
Net investment income (loss)[2]	0.00
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.04)
Net increase (decrease) in net assets resulting from operations	(0.04)
Net asset value, end of period	$ 12.46
Shares outstanding, end of period	2,513,600
Total return[3][4]	(0.32)%
Ratio/Supplemental Data:	
Net assets, end of period	$ 31,326
Ratio of net investment income (loss) to average net assets[5][6]	0.22%
Ratio of total expenses to average net assets[5]	3.43%
Ratio of expense reimbursement to average net assets[5]	(1.35)%
Ratio of net expenses to average net assets[5]	2.08%
Portfolio turnover rate[4]	2%

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the period.

(3) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculation set forth above represents the total return on the Fund's investment portfolio during the period on a per class basis and does not represent an actual return to shareholders.

(4) Information presented is not annualized.

(5) Average daily net assets is used for this calculation. Data is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(6) If the adviser had not reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been (1.13)% for the period. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class L Shares
(in thousands, except share and per share data)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]	
Net asset value, beginning of period	$12.50
Results of operations	
Net investment income (loss)[2]	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.04)
Net increase (decrease) in net assets resulting from operations	(0.04)
Net asset value, end of period	$12.46
Shares outstanding, end of period	1,600
Total return[3][4]	(0.32)%
Ratio/Supplemental Data:	
Net assets, end of period	$ 20
Ratio of net investment income (loss) to average net assets[5][6]	(0.28)%
Ratio of total expenses to average net assets[5]	3.93%
Ratio of expense reimbursement to average net assets[5]	(1.35)%
Ratio of net expenses to average net assets[5]	2.58%
Portfolio turnover rate[4]	2%

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the period.

(3) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculation set forth above represents the total return on the Fund's investment portfolio during the period on a per class basis and does not represent an actual return to shareholders.

(4) Information presented is not annualized.

(5) Average daily net assets is used for this calculation. Data is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(6) If the adviser had not reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been (1.63)% for the period. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class M Shares
(in thousands, except share and per share data)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]	
Net asset value, beginning of period	$12.50
Results of operations	
Net investment income (loss)[2]	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.04)
Net increase (decrease) in net assets resulting from operations	(0.04)
Net asset value, end of period	$12.46
Shares outstanding, end of period	1,600
Total return[3][4]	(0.32)%
Ratio/Supplemental Data:	
Net assets, end of period	$ 20
Ratio of net investment income (loss) to average net assets[5][6]	(0.03)%
Ratio of total expenses to average net assets[5]	3.68%
Ratio of expense reimbursement to average net assets[5]	(1.35)%
Ratio of net expenses to average net assets[5]	2.33%
Portfolio turnover rate[4]	2%

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the period.

(3) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculation set forth above represents the total return on the Fund's investment portfolio during the period on a per class basis and does not represent an actual return to shareholders.

(4) Information presented is not annualized.

(5) Average daily net assets is used for this calculation. Data is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(6) If the adviser had not reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been (1.38)% for the period. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class T Shares
(in thousands, except share and per share data)

	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]	
Net asset value, beginning of period	$12.50
Results of operations	
Net investment income (loss)[2]	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	(0.04)
Net increase (decrease) in net assets resulting from operations	(0.04)
Net asset value, end of period	$12.46
Shares outstanding, end of period	1,600
Total return[3][4]	(0.32)%
Ratio/Supplemental Data:	
Net assets, end of period	$ 20
Ratio of net investment income (loss) to average net assets[5][6]	(0.28)%
Ratio of total expenses to average net assets[5]	3.93%
Ratio of expense reimbursement to average net assets[5]	(1.35)%
Ratio of net expenses to average net assets[5]	2.58%
Portfolio turnover rate[4]	2%

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the period.

(3) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculation set forth above represents the total return on the Fund's investment portfolio during the period on a per class basis and does not represent an actual return to shareholders.

(4) Information presented is not annualized.

(5) Average daily net assets is used for this calculation. Data is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(6) If the adviser had not reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been (1.63)% for the period. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

See notes to consolidated financial statements.

Note 1. Principal Business and Organization

FS Multi-Alternative Income Fund (the "Fund") was formed as a Delaware statutory trust under the Delaware Statutory Trust Act on April 9, 2018 and commenced investment operations on September 27, 2018. Prior to commencing investment operations, the Fund had no operations except for matters relating to its organization and registration as a non-diversified, closed-end management investment company.

The Fund is a continuously offered, non-diversified, closed-end management investment company that operates as an interval fund pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the "1940 Act"). As of the date of this report, the Fund has not been declared effective under the Securities Act of 1933, as amended, and the Fund's common shares of beneficial interest are not publicly offered. The Fund intends to offer five classes of shares of beneficial interest—Class A Shares, Class I Shares, Class L Shares, Class M Shares and Class T Shares (as defined below), which are substantially the same except that each class of shares has different sales charges and expenses. The Fund intends to elect to be treated for U.S. federal income tax purposes, and intends to qualify annually thereafter, as a regulated investment company ("RIC"), as defined under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As of October 31, 2018, the Fund had three wholly-owned subsidiaries, FS Multi Private Credit LLC, FS Multi Alternative Credit LLC and FS Multi Real Estate LLC, through which it may hold interests in certain portfolio companies. The consolidated financial statements include both the Fund's accounts and the accounts of its wholly-owned subsidiaries as of October 31, 2018.

The Fund's investment objective is to provide attractive total returns, consisting primarily of current income. The Fund seeks to achieve its investment objective by investing in a diversified portfolio of alternative income strategies.

The investment adviser to the Fund, FS Multi-Alternative Advisor, LLC ("FS Multi-Alternative Advisor"), oversees the management of the Fund's activities and is responsible for developing investment guidelines with the Sub-Advisers (as defined below) and overseeing investment decisions for the Fund's portfolio by using a multi-manager, multi-strategy approach.

The Fund currently focuses on three strategies to achieve its investment objective: Real Estate, Private Credit and Alternative Credit. The portfolio primarily consists of a range of secured and unsecured debt obligations (which may be syndicated or directly originated), structured credit, asset backed securities and real estate-related investments comprised primarily of private and public institutional real estate equity and debt funds.

FS Multi-Alternative Advisor has engaged as investment sub-advisers to the Fund: GoldenTree Asset Management Credit Advisor LLC (the "GoldenTree Sub-Adviser"), a wholly owned subsidiary of GoldenTree Asset Management LP ("GoldenTree"), with respect to a broad range of alternative credit investments, KKR Credit Advisors (US) LLC ("KKR Credit") with respect to private middle-market debt and equity investments and StepStone Group Real Estate LP ("StepStone") with respect to real estate-related assets (collectively, the "Sub-Advisers").

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying consolidated financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Fund is considered an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies under Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*. The Fund has evaluated the impact of subsequent events through the date the consolidated financial statements were issued.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Many of the amounts have been rounded and all amounts are in thousands, except share and per share amounts.

Cash and Cash Equivalents: The Fund considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Fund invests its cash in an institutional money market fund, which is stated at fair value. The Fund's uninvested cash is maintained with a high credit quality financial institution.

Valuation of Portfolio Investments: The Fund determines the net asset value ("NAV") of its common shares on each day that the New York Stock Exchange ("NYSE") is open for business as of the close of the regular trading session. Each Class A share of beneficial interest ("Class A Share"), Class L share of beneficial interest ("Class L Share") and Class T share of beneficial interest ("Class T Share") will be offered at NAV plus the applicable sales load, while each Class I share of beneficial interest ("Class I Share") and Class M share of beneficial interest ("Class M Share") will be offered at NAV. The Fund calculates NAV per share on a class-specific basis. The NAV of a class of shares depends on the number of shares of the applicable class outstanding at the time the NAV is determined. As such, the NAV of each class of shares may vary if the Fund sells different amounts of shares per class, among other things. The Fund's assets and liabilities are valued in accordance with the principles set forth below.

FS Multi-Alternative Advisor, values the Fund's assets in good faith pursuant to the Fund's valuation policy and consistently applied valuation process, which was developed by the audit committee of the Fund's board of trustees (the "Board") and approved by the Board. Portfolio securities and other assets for which market quotes are readily available are valued at market value. In circumstances where market quotes are not readily available, the Board has adopted methods for determining the fair value of such securities and other assets, and has delegated the responsibility for applying the valuation methods to FS Multi-Alternative Advisor. On a quarterly basis, the Board reviews the valuation determinations made with respect to the Fund's investments during the preceding quarter and evaluates whether such determinations were made in a manner consistent with the Fund's valuation process.

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosure* ("ASC Topic 820") defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Fund expects that its portfolio will primarily consist of a range of secured and unsecured debt obligations (which may be syndicated or directly originated), structured credit, asset backed securities and real estate-related investments that are compromised primarily of private and public institutional real estate equity and debt funds.

Note 2. Summary of Significant Accounting Policies (Continued)

For purposes of calculating NAV, the Fund uses the following valuation methods:

- The market value of each security listed or traded on a recognized securities exchange or automated quotation system ("Exchange-Traded Security") is the last reported sale price at the relevant valuation date on the composite tape or on the principal exchange on which such security is traded.
- If no sale is reported for an Exchange-Traded Security on the valuation date or if a security is traded on a privately negotiated OTC secondary market for institutional investors for which indicative dealer quotes are available ("OTC Security"), the Fund values such investments using quotations obtained from an independent third-party pricing service, which provides prevailing bid and ask prices that are screened for validity by the service from dealers on the valuation date. If a quoted price obtained from such service is deemed by FS Multi-Alternative Advisor to be unreliable (and therefore, not readily available), FS Multi-Alternative Advisor may recommend that the investment be fair valued by some other means, including, but not limited to, a valuation provided by an approved independent third-party valuation firm. For investments for which an independent third-party pricing service is unable to obtain quoted prices, the Fund will obtain bid and ask prices directly from dealers who make a market in such securities. In all such cases, investments are valued at the mid-point of the average bid and ask prices obtained from such sources unless there is a compelling reason to use some other value within the bid-ask range and the justification is documented and retained by FS Multi-Alternative Advisor's management team.
- To the extent that the Fund holds investments for which no active secondary market exists and, therefore, no bid and ask prices can be readily obtained, the Fund will value such investments at fair value as determined in good faith by FS Multi-Alternative Advisor, under supervision of the Board, in accordance with the Fund's valuation policy and pursuant to authority delegated by the Board. In making such determination, it is expected that FS Multi-Alternative Advisor, under supervision of the Board, may rely upon valuations obtained from an approved independent third-party valuation service, except for private real estate funds, which are valued at estimated NAV.

  With respect to these investments for which market quotations are not readily available (excluding private real estate funds), the Fund will undertake a multi-step fair valuation process each quarter, as described below:

  - Weekly and as of each quarter end, FS Multi-Alternative Advisor's management team will review and document preliminary valuations for each investment, which valuations may be obtained from an approved independent third-party valuation service, if applicable;
  - Quarterly, FS Multi-Alternative Advisor's management team will provide the audit committee of the Board with preliminary valuations for each investment;
  - The preliminary valuations will then be presented to and discussed with the audit committee of the Board;
  - The audit committee of the Board will review the preliminary valuations and FS Multi-Alternative Advisor's management team, together with any approved independent third-party valuation service, if applicable, will respond to and supplement the preliminary valuations to reflect any comments provided by the audit committee of the Board;
  - The audit committee of the Board will also be provided with the weekly valuations of each investment that had been fair valued throughout the most recently completed quarter;

Note 2. Summary of Significant Accounting Policies (Continued)

  - Following its review, the audit committee of the Board will approve the fair valuation of the Fund's investments and will recommend that the Board similarly approve the fair valuation of the Fund's investments; and
  - The Board will discuss the valuation of the Fund's investments and will determine the fair value of each such investment in the portfolio in good faith based on various statistical and other factors, including the input and recommendation of FS Multi-Alternative Advisor, the audit committee of the Board and any approved independent third-party valuation service, if applicable.
- With respect to the Fund's investment in private real estate funds:
  - StepStone makes investment recommendations to FS Multi-Alternative Advisor with respect to private real estate funds, based on StepStone's research and analysis, including due diligence on the underlying private real estate funds' investments managers.
  - Private real estate funds generally calculate and report a NAV per share as of each calendar quarter-end. In accordance with ASC Topic 820, the Fund has elected to apply the practical expedient to value its investments in private real estate funds using the NAV per share of each private real estate fund as reported by each fund's investment manager. In situations where the timing of a private real estate fund's NAV reporting does not align to the Fund's reporting periods, the Fund will estimate such fund's NAV per share based on changes in proprietary indices, expected returns based on historical performance, and/or other acceptable methods as approved by the Board and in accordance with ASC Topic 820.
  - StepStone has designed ongoing due diligence processes with respect to monitoring and valuation of the underlying investments of the private real estate funds, which assist FS Multi-Alternative Advisor in assessing the reliability of the NAV per share reported by the private real estate funds each quarter. StepStone communicates to the Fund any changes in the value of underlying investments since the calculation date of the most recent reported NAV and whether there are significant changes in the composition of the underlying investments for each private real estate fund after each reporting period of the private real estate fund. The Fund utilizes this information and considers all relevant factors to determine that the estimated NAV per share used as a practical expedient is appropriate.

Determination of fair value involves subjective judgments and estimates. Accordingly, these notes to the Fund's consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on the Fund's consolidated financial statements. In making its determination of fair value, FS Multi-Alternative Advisor, under supervision of the Board, may use any approved independent third-party pricing or valuation services; provided that FS Multi-Alternative Advisor, under supervision of the Board, shall not be required to determine fair value in accordance with the valuation provided by any single source, and FS Multi-Alternative Advisor, under supervision of the Board, shall retain the discretion to use any relevant data, including information obtained by FS Multi-Alternative Advisor, any investment sub-adviser or from any approved independent third-party valuation or pricing service, that FS Multi-Alternative Advisor, under supervision of the Board, deems to be reliable in determining fair value under the circumstances.

Below is a description of factors that FS Multi-Alternative Advisor, any approved independent third-party valuation service and the Board may consider when determining the fair value of the Fund's investments.

Note 2. Summary of Significant Accounting Policies (Continued)

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, these factors may be incorporated into discounted cash flow models to arrive at fair value. Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of the collateral securing its debt investments.

For convertible debt securities, fair value will generally approximate the fair value of the debt plus the fair value of an option to purchase the underlying security (i.e., the security into which the debt may convert) at the conversion price. To value such an option, a standard option pricing model may be used.

For equity interests, various factors may be considered in determining fair value, including, but not limited to, multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a company or the Fund's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or an acquisition, recapitalization, restructuring or other related items.

FS Multi-Alternative Advisor, any approved independent third party valuation service and the Board may also consider private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the companies, the acquisition price of such investment or industry practices in determining fair value. FS Multi-Alternative Advisor, any approved independent third party valuation service and the Board may also consider the size and scope of a company and its specific strengths and weaknesses, and may apply discounts or premiums, where and as appropriate, due to the higher (or lower) financial risk and/or the size of the company relative to comparable firms, as well as such other factors as FS Multi-Alternative Advisor, under supervision of the Board, and any approved independent third-party valuation service, if applicable, may consider relevant in assessing fair value.

If the Fund receives warrants or other equity securities at nominal or no additional cost in connection with an investment in a debt security, the cost basis in the investment will be allocated between the debt securities and any such warrants or other equity securities received at the time of origination. Such warrants or other equity securities will subsequently be valued at fair value. Portfolio securities that carry certain restrictions on sale will typically be valued at a discount from the public market value of the security, where applicable.

If events materially affecting the price of foreign portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the Fund's NAV was last calculated (for example, movements in certain U.S. securities indices which demonstrate strong correlation to movements in certain foreign securities markets), such securities may be valued at their fair value as determined in good faith in accordance with procedures established by the Board. For purposes of calculating NAV, all assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars at prevailing exchange rates as may be determined in good faith by FS Multi-Alternative Advisor, under supervision of the Board, in consultation with any approved independent third party valuation service, if applicable.

Forward foreign currency exchange contracts typically will be valued at their quoted daily prices obtained from an independent third party. Futures contracts traded on exchanges will be valued daily at their last sale price. Interest rate swaps typically will be valued at their daily prices obtained from an

Note 2. Summary of Significant Accounting Policies (Continued)

independent third party. The aggregate settlement values and notional amounts of the forward foreign currency exchange contracts, futures contracts and interest rate swaps will not be recorded in the consolidated statement of assets and liabilities. Fluctuations in the value of the forward foreign currency exchange contracts, futures contracts and interest rate swaps will be recorded in the consolidated statement of assets and liabilities as an asset (liability) and in the consolidated statement of operations as unrealized appreciation (depreciation) until the contracts are closed, when they will be recorded as net realized gain (loss).

The Board is solely responsible for the valuation of the Fund's portfolio investments at fair value as determined in good faith pursuant to the Fund's valuation policy and consistently applied valuation process. The Board has delegated day-to-day responsibility for implementing the Fund's valuation policy to FS Multi-Alternative Advisor's management team, and has authorized FS Multi-Alternative Advisor's management team to utilize independent third-party valuation and pricing services that have been approved by the Board. The audit committee of the Board is responsible for overseeing FS Multi-Alternative Advisor's implementation of the Fund's valuation process.

Revenue Recognition: Security transactions are accounted for on their trade date. The Fund records interest income on an accrual basis to the extent that it expects to collect such amounts. The Fund records dividend income and distributions on the ex-date. The Fund does not accrue as a receivable interest on loans or dividends on securities if it has reason to doubt its ability to collect such income. The Fund's policy is to place investments on non-accrual status when there is reasonable doubt the interest income will be collected. The Fund considers many factors relevant to an investment when placing it on or removing it from non-accrual status, including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. If there is reasonable doubt that the Fund will receive any previously accrued interest, then the previously recognized interest income will be written-off. Payments received on non-accrual investments may be recognized as income or applied to principal depending upon the collectability of the remaining principal and interest. Non-accrual investments may be restored to accrual status when principal and interest become current and are likely to remain current based on the Fund's judgment.

Loan origination fees, original issue discount, and market discount are capitalized and such amounts are amortized as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income. The Fund records prepayment premiums on loans and securities as fee income when it receives such amounts.

Net Realized Gains or Losses, Net Change in Unrealized Appreciation or Depreciation and Net Change in Unrealized Gains or Losses on Foreign Currency: Gains or losses on the sale of investments are calculated by using the specific identification method. The Fund measures realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gains or losses, when gains or losses are realized. Net change in unrealized gains or losses on foreign currency reflects the change in the value of receivables or accruals during the reporting period due to the impact of foreign currency fluctuations.

Organization and Offering Costs: Organization costs include, among other things, the cost of formation as a Delaware statutory trust, including the cost of legal services and other fees pertaining to the Fund's organization. Offering costs will primarily include marketing expenses, salaries and other

Note 2. Summary of Significant Accounting Policies (Continued)

direct expenses of FS Multi-Alternative Advisor's and the Sub-Advisers' personnel and employees of their affiliates while engaged in registering and marketing the Fund's common shares. Franklin Square Holdings, L.P. (which does business as FS Investments), the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, has agreed to assume the Fund's organization and offering costs and will not seek reimbursement of such costs (see Note 4).

Income Taxes: The Fund intends to elect to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify for and maintain the Fund's qualification as a RIC, the Fund must, among other things, meet certain source-of-income and asset diversification requirements and distribute to its shareholders, for each taxable year, at least 90% of its "investment company taxable income," which is generally the Fund's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. As a RIC, the Fund will not have to pay corporate-level U.S. federal income taxes on any income that it distributes to its shareholders. The Fund intends to make distributions in an amount sufficient to maintain its RIC status each year and to avoid any U.S. federal income taxes on income so distributed. The Fund will also be subject to nondeductible U.S. federal excise taxes if it does not distribute at least 98% of net ordinary income, 98.2% of capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no U.S. federal income taxes.

Uncertainty in Income Taxes: The Fund evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Fund recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense on its consolidated statement of operations. During the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, the Fund did not incur any interest or penalties.

The Fund has analyzed the tax positions taken on U.S. federal and state income tax returns for all open tax years, and has concluded that no provision for income tax for uncertain tax positions is required in the Fund's consolidated financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not yet expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Forward Foreign Currency Exchange Contracts: The Fund enters into forward foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to, or hedge exposure away from, foreign currencies (foreign currency exchange rate risk). A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Forward foreign currency exchange contracts, when used by the Fund, help to manage the overall exposure to the currencies in which some of the investments and borrowings held by the Fund are denominated and in some cases, may be used to obtain exposure to a particular market. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency.

Futures Contracts: The Fund enters into futures contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to, or hedge exposure away from, changes in interest rates (interest rate risk). A futures contract is an agreement between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Futures contracts, when used by the Fund, help to manage the overall exposure to rising interest rates.

(in thousands, except share and per share amounts)

Note 2. Summary of Significant Accounting Policies (Continued)

Interest Rate Swaps: The Fund enters into interest rate swaps to help hedge against interest rate risk exposure and to maintain the Fund's ability to generate income at prevailing market rates. An interest rate swap contract is an exchange of interest rates between counterparties. The value of the fixed rate bonds that the Fund holds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Fund may enter into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Fund with another party for their respective commitment to pay or receive interest on the notional amount of principal.

Distributions: Distributions to the Fund's shareholders will be recorded as of the record date. Subject to the discretion of the Board and applicable legal restrictions, the Fund currently intends to authorize, declare and pay ordinary cash distributions on a quarterly basis beginning no later than the first full calendar quarter following commencement of the Fund's public offering. Subject to the Board's discretion and applicable legal restrictions, the Fund from time to time may also pay special interim distributions in the form of cash or shares. At least annually, the Fund intends to authorize and declare special cash distributions of net long-term capital gains, if any.

Recent Accounting Pronouncements: In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2018-13, *Fair Value Measurement—Disclosures Framework—Changes to Disclosure Requirements of Fair Value Measurement* (Topic 820), or ASU 2018-13. ASU 2018-13 introduces new fair value disclosure requirements and eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Fund is currently evaluating the impact of ASU 2018-13 on its consolidated financial statements.

In March 2017, FASB issued Accounting Standards Update 2017-08, *Receivables—Nonrefundable Fees and Other Costs* (Subtopic 310-20), *Premium Amortization on Purchased Callable Debt Securities*, or ASU 2017-08. ASU 2017-08 amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. ASU 2017-08 does not require any accounting change for debt securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Fund is currently evaluating the impact of ASU 2017-08 on its consolidated financial statements.

Note 3. Share Transactions

Below is a summary of transactions with respect to the Fund's common shares during the period from September 27, 2018 (Commencement of Operations) to October 31, 2018:

Proceeds from Issuance of Shares	Shares	Amount
Class A Shares	1,600	$ 20
Class I Shares	2,505,600	31,320
Class L Shares	1,600	20
Class M Shares	1,600	20
Class T Shares	1,600	20
Proceeds from Fund Share Transactions	2,512,000	$31,400

Sponsor Commitment

Since September 27, 2018 (Commencement of Operations) and through October 31, 2018, the Fund sold 2,512,000 of the Fund's common shares for gross proceeds of $31,400 to FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, in a private placement completed in

Note 3. Share Transactions (Continued)

September 2018 (see Note 4). As of October 31, 2018, the Fund raised total gross proceeds of \$31,500 from FS Investments and its affiliates, including \$100 of seed capital contributed by Michael C. Forman, a principal of FS Multi-Alternative Advisor, in May 2018 (see Note 4). The Fund has not commenced its continuous public offering.

Share Repurchase Program

The Fund operates as an interval fund under Rule 23c-3 of the 1940 Act and, as such, will provide a limited degree of liquidity to shareholders. As an interval fund, the Fund has adopted a fundamental policy to offer to repurchase at regular intervals a specified percentage of its outstanding shares at the NAV of the applicable class.

Once each quarter, the Fund will offer to repurchase at NAV no less than 5% and no more than 25% of the outstanding shares of the Fund, unless such offer is suspended or postponed in accordance with regulatory requirements (as discussed below). The offer to purchase shares is a fundamental policy that may not be changed without the vote of the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act). Shareholders will be notified in writing of each quarterly repurchase offer and the date the repurchase offer ends ("Repurchase Request Deadline"). Shares will be repurchased at the respective NAV per share determined as of the close of regular trading on the NYSE no later than the 14^{th} day after the Repurchase Request Deadline, or the next business day if the 14th day is not a business day.

The Board, or a committee thereof, in its sole discretion, will determine the number of shares for each share class that the Fund will offer to repurchase ("Repurchase Offer Amount") for a given Repurchase Request Deadline. The Repurchase Offer Amount, however, will be no less than 5% and no more than 25% of the total number of shares outstanding on the Repurchase Request Deadline. Typically, the Repurchase Offer Amount will be 5% of the shares outstanding on the Repurchase Request Deadline. Repurchase offers in excess of this amount will be made solely at the discretion of the Board.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2% of the outstanding shares of the Fund on the Repurchase Request Deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2% of the outstanding shares on the Repurchase Request Deadline, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an individual retirement account or other qualified retirement plan.

The Fund may suspend or postpone a repurchase offer only: (a) if making or effecting the repurchase offer would cause the Fund to lose its status as a RIC under the Code; (b) for any period during which the NYSE or any market on which the securities owned by the Fund are principally traded is closed, other than customary weekend and holiday closings, or during which trading in such market is restricted; (c) for any period during which an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or during which it is not reasonably practicable for the Fund fairly to determine the value of its net assets; or (d) for such other periods as the U.S. Securities and Exchange Commission ("SEC") may by order permit for the protection of shareholders of the Fund.

During the period from September 27, 2018 (Commencement of Operations) to October 31, 2018, the Fund did not conduct any repurchase offers in connection with its share repurchase program.

Note 3. Share Transactions (Continued)

Distribution Plan

The Fund, with respect to its Class L, Class M and Class T Shares, is authorized under a distribution plan to pay to the Fund's distributor a distribution fee for certain activities relating to the distribution of shares to investors and maintenance of shareholder accounts. These activities include marketing and other activities to support the distribution of the Class L, Class M and Class T Shares. The plan operates in a manner consistent with Rule 12b-1 under the 1940 Act, which regulates the manner in which an open-end investment company may directly or indirectly bear the expenses of distributing its shares. Although the Fund is not an open-end investment company, it has undertaken to comply with the terms of Rule 12b-1 as a condition of an exemptive order under the 1940 Act which permits it to have asset-based distribution fees. Under the distribution plan, the Fund will pay a distribution fee at an annual rate of 0.25% of average daily net assets attributable to the applicable share classes for remittance to financial intermediaries, as compensation for distribution and/or maintenance of shareholder accounts performed by such financial intermediaries for beneficial shareholders of the Fund.

Shareholder Service Expenses

The Fund has adopted a shareholder services plan with respect to its Class A, Class L and Class T Shares under which the Fund may compensate financial industry professionals or firms for providing ongoing services in respect of clients with whom they have distributed shares of the Fund. Such services may include (i) electronic processing of client orders, (ii) electronic fund transfers between clients and the Fund, (iii) account reconciliations with the Fund's transfer agent, (iv) facilitation of electronic delivery to clients of Fund documentation, (v) monitoring client accounts for back-up withholding and any other special tax reporting obligations, (vi) maintenance of books and records with respect to the foregoing, (vii) responding to customer inquiries of a general nature regarding the Fund; (viii) responding to customer inquiries and requests regarding Statements of Additional Information, shareholder reports, notices, proxies and proxy statements, and other Fund documents; (ix) assisting customers in changing account options, account designations and account addresses, and (x) such other information and liaison services as the Fund or FS Multi-Alternative Advisor may reasonably request. Under the shareholder services plan, the Fund, with respect to Class A, Class L and Class T Shares, may incur expenses on an annual basis up to 0.25% of its average daily net assets attributable to Class A, Class L and Class T Shares, respectively.

Note 4. Related Party Transactions

Compensation of the Investment Adviser, the Sub-Advisers and their Affiliates

Pursuant to the investment advisory agreement (the "Investment Advisory Agreement"), dated as of September 11, 2018, by and between the Fund and FS Multi-Alternative Advisor, FS Multi-Alternative Advisor is entitled to a management fee in consideration of the advisory services provided by FS Multi-Alternative Advisor to the Fund. FS Multi-Alternative Advisor is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and is an affiliate of the Fund. The management fee is calculated and payable quarterly in arrears at the annual rate of 1.60% of the Fund's average daily gross assets during such period (the "Management Fee"). The Management Fee for any partial quarter will be appropriately prorated.

The Fund's investment sub-advisory agreements with each Sub-Adviser (the "Investment Sub-Advisory Agreements") provide that each Sub-Adviser receives a portfolio management fee with respect to the assets that it manages, which is paid by FS Multi-Alternative Advisor out of the Management Fee.

Note 4. Related Party Transactions (Continued)

Pursuant to an administration agreement (the "Administration Agreement"), dated as of September 12, 2018, by and between the Fund and FS Multi-Alternative Advisor, the Fund reimburses FS Multi-Alternative Advisor and the Sub-Advisers, as applicable, for their respective actual costs incurred in providing administrative services to the Fund, including the allocable portion of the compensation and related expenses of certain personnel of FS Investments and the Sub-Advisers providing administrative services to the Fund on behalf of FS Multi-Alternative Advisor, subject to the limitations set forth in the Administration Agreement and the Expense Limitation Agreement (as defined below). Such services include general ledger accounting, fund accounting, legal services, investor relations and other administrative services. FS Multi-Alternative Advisor also performs, or oversees the performance of, the Fund's corporate operations and required administrative services, which includes being responsible for the financial records that the Fund is required to maintain and preparing reports to the Fund's shareholders and reports filed with the SEC. In addition, FS Multi-Alternative Advisor assists the Fund in calculating its NAV, overseeing the preparation and filing of its tax returns and the printing and dissemination of reports to the Fund's shareholders, and generally overseeing the payment of the Fund's expenses and the performance of administrative and professional services rendered to the Fund by others. FS Multi-Alternative Advisor is required to allocate the cost of such services to the Fund based on factors such as assets, revenues, time allocations and/or other methods.

The Fund's Board reviews the methodology employed in determining how the expenses are allocated to the Fund and the proposed allocation of the administrative expenses among the Fund and certain affiliates of FS Multi-Alternative Advisor. The Board then assesses the reasonableness of such reimbursements for expenses allocated to the Fund based on the breadth, depth and quality of such services as compared to the estimated cost to the Fund of obtaining similar services from third-party service providers known to be available. In addition, the Board considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Fund's Board, among other things, compares the total amount paid to FS Multi-Alternative Advisor for such services as a percentage of the Fund's net assets to the same ratios reported by other comparable investment companies. The Fund will not reimburse FS Multi-Alternative Advisor for any services for which it receives a separate fee or for any administrative expenses allocated to a controlling person of FS Multi-Alternative Advisor.

FS Multi-Alternative Advisor may be reimbursed for the administrative services performed by it on behalf of the Fund. In addition, the Sub-Advisers may be reimbursed for certain operating and administration expenses that they incur on behalf of the Fund ("Sub-Adviser Expenses"), subject to certain limitations. To the extent such expenses are "ordinary operating expenses," such amounts are included in, and are not in addition to, the Fund's Expense Limitation (defined below). The reimbursement of administrative expenses is subject to certain limitations, including that (1) such costs are reasonably allocated by FS Multi-Alternative Advisor to the Fund on the basis of assets, revenues, time allocations and/or other method; (2) such reimbursement shall be subject to any expense limitation of the Fund in effect at the time at which such reimbursement is otherwise payable; and (3) FS Multi-Alternative Advisor shall not be entitled to reimbursement for any expenses relating to the salaries and direct expenses of administrative personnel paid by FS Multi-Alternative Advisor (and the Fund shall have no obligation to pay any such expenses) to the extent that certain third-party expenses incurred by the Fund, whether directly or indirectly by FS Multi-Alternative Advisor or the Sub-Advisers, in connection with administering the Fund's business exceed 0.25% of the average net assets attributable to each class of shares.

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (Continued)

The following table describes the fees and expenses accrued under the Investment Advisory Agreement and the Administration Agreement during the period from September 27, 2018 (Commencement of Operations) to October 31, 2018:

Related Party	Source Agreement	Description	Amount
FS Multi-Alternative Advisor . .	Investment Advisory Agreement	Management Fee(1)	$54
FS Multi-Alternative Advisor . .	Administration Agreement	Administrative Services Expenses(2)	$ 1

(1) As of October 31, 2018, $54 in management fees were payable to FS Multi-Alternative Advisor.

(2) During the period from September 27, 2018 (Commencement of Operations) to October 31, 2018, $1 of the accrued administrative services expenses related to third-party administrative expenses.

Organization and Offering Costs

Organization costs include, among other things, the cost of formation as a Delaware statutory trust, including the cost of legal services and other fees pertaining to the Fund's organization. Offering costs will primarily include marketing expenses, salaries and other direct expenses of FS Multi-Alternative Advisor's and the Sub-Advisers' personnel and employees of their affiliates while engaged in registering and marketing the Shares. FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, has agreed to assume the Fund's organization and offering costs and will not seek reimbursement of such costs.

Capital Contribution by FS Investments

In May 2018, pursuant to a private placement, Michael C. Forman, a principal of FS Multi-Alternative Advisor, contributed $100 to purchase approximately 8,000 Class I common shares at $12.50 per share.

In September 2018, FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, purchased $31,320 of Class I Shares and $20 of each of Class A Shares, Class L Shares, Class M Shares and Class T Shares. As a result, FS Investments may own a significant percentage of the Fund's outstanding Shares for the foreseeable future. This ownership will fluctuate as investors subscribe for Shares in the Fund's continuous public offering and any other offering the Fund may determine to conduct in the future, and as the Fund repurchases Shares pursuant to its quarterly repurchase offers. Depending on the size of this ownership at any given point in time, it is expected that FS Investments will, for the foreseeable future, either control the Fund or be in a position to exercise a significant influence on the outcome of any matter put to a vote of shareholders. As of December 12, 2018, the Fund has issued an aggregate of 2,520,000 Shares for aggregate gross proceeds of $31,500 to individuals and entities affiliated with FS Multi-Alternative Advisor, including Class I Shares sold to Mr. Forman in May 2018 and Class I Shares, Class A Shares, Class L Shares, Class M Shares and Class T Shares sold to FS Investments in September 2018.

Expense Limitation Agreement

Pursuant to the expense limitation agreement (the "Expense Limitation Agreement"), dated as of September 12, 2018, by and between FS Multi-Alternative Advisor and the Fund, FS Multi-Alternative Advisor agreed to pay or waive, on a quarterly basis, the "ordinary operating expenses" (as defined below) of the Fund to the extent that such expenses exceed 0.25% per annum of the Fund's average daily net assets attributable to the applicable class of shares (the "Expense Limitation"). The Expense

Note 4. Related Party Transactions (Continued)

Limitation may be adjusted for other classes of shares to account for class-specific expenses. In consideration of FS Multi-Alternative Advisor's agreement to limit the Fund's expenses, the Fund has agreed to repay FS Multi-Alternative Advisor in the amount of any Fund expenses paid or waived, subject to the limitations that: (1) the reimbursement for expenses will be made only if payable not more than three years following the time such payment or waiver was made; and (2) the reimbursement may not be made if it would cause the Fund's then-current expense limitation, if any, and the expense limitation that was in effect at the time when FS Multi-Alternative Advisor paid or waived the ordinary operating expenses that are the subject of the repayment, to be exceeded. The Expense Limitation Agreement will continue indefinitely until terminated by the Board on written notice to FS Multi-Alternative Advisor. The Expense Limitation Agreement may not be terminated by FS Multi-Alternative Advisor. For the purposes of the Expense Limitation Agreement, "ordinary operating expenses" for a class of Shares consist of all ordinary expenses of the Fund attributable to such class, including administration fees, transfer agent fees, fees paid to the Fund's trustees, legal expenses relating to the Fund's registration statements (and any amendments or supplements thereto) and other filings with the SEC, administrative services expenses, and related costs associated with legal, regulatory compliance and investor relations, but excluding the following: (a) investment advisory fees, (b) portfolio transaction and other investment-related costs (including brokerage commissions, dealer and underwriter spreads, commitment fees on leverage facilities, prime broker fees and expenses, and dividend expenses related to short sales), (c) interest expense and other financing costs, (d) taxes, (e) distribution or shareholder servicing fees and (f) extraordinary expenses, as described in the Expense Limitation Agreement. As described above, to the extent that any Sub-Adviser Expenses are "ordinary operating expenses," such amounts are included in, and are not in addition to, the Expense Limitation.

The specific amount of expenses waivable and/or payable by FS Multi-Alternative Advisor pursuant to the Expense Limitation Agreement, if any, is determined at the end of each fiscal quarter. The conditional obligation of the Fund to reimburse FS Multi-Alternative Advisor pursuant to the terms of the Expense Limitation Agreement shall survive the termination of such agreement for any reason.

During the period from September 27, 2018 (Commencement of Operations) to October 31, 2018, the Fund accrued $40 of expense reimbursements that FS Investments has agreed to pay. Such amounts may be subject to conditional reimbursement as described above.

Note 5. Distributions

The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of the Board.

Shareholders automatically participate in the Fund's DRP, unless and until an election is made to withdraw from the plan on behalf of such participating shareholder. Under the DRP, the Fund's cash distributions to shareholders are reinvested in full and fractional shares of the same class of shares of the Fund. To the extent that shareholders reinvest their cash distributions, the Fund will use the proceeds to purchase additional common shares of the Fund. As such, a portion of the cash distributions paid by the Fund may be reinvested in additional common shares of the Fund.

The Fund's net investment income on a tax basis for the period from September 27, 2018 (Commencement of Operations) to October 31, 2018 was $56. The Fund may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences.

(in thousands, except share and per share amounts)

Note 5. Distributions (Continued)

As of October 31, 2018, the components of accumulated earnings (loss) on a tax basis were as follows:

Distributable ordinary income	$ 56
Accumulated capital losses[1]	(12)
Net unrealized appreciation (depreciation) of investments and derivatives	(138)
Total	$ (94)

(1) Net capital losses may be carried forward indefinitely, and their character is retained as short-term or long-term. As of October 31, 2018, the Fund had short-term and long-term capital loss carryforwards available to offset future realized capital gains of $11 and $1, respectively.

The aggregate cost of the Fund's investments for U.S. federal income tax purposes totaled $39,906 as of October 31, 2018. Aggregate net unrealized appreciation (depreciation) on a tax basis was $(145), which was comprised of gross unrealized appreciation of $108 and gross unrealized depreciation of $253, as of October 31, 2018.

Note 6. Financial Instruments

The Fund may trade in financial instruments with off-balance sheet risk in the normal course of its investing activities. These financial instruments may include forward foreign currency exchange contracts, futures contracts, swap contracts and written options, among others, and may involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

The Fund is subject to foreign currency exchange rate risk and interest rate risk in the normal course of pursuing its investment objectives. The Fund may enter into forward foreign currency exchange contracts to gain or reduce exposure to foreign currencies and futures contracts and/or interest rate swaps to gain or reduce exposure to fluctuations in interest rates.

An interest rate swap contract is an exchange of interest rates between counterparties. An interest rate swap generally involves one party making payments based on a fixed interest rate in return for payments from a counterparty based on a variable or floating interest rate. The Fund may enter into either side of such a swap contract. Interest rate swaps may be used to adjust the Fund's sensitivity to interest rates or to hedge against changes in interest rates.

Each interest rate swap is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the consolidated statement of assets and liabilities. When a swap is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of interest rate swaps contains the risk that the value of an interest rate swap changes unfavorably due to movements in interest rates, as well as the risk that the counterparty to the swap will default on its contractual delivery obligations. Counterparty risk is mitigated for cleared swaps by trading these instruments through a central counterparty.

A futures contract is an agreement between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. The Fund may invest in futures contracts to hedge the Fund's existing portfolio securities against fluctuations in value caused

Note 6. Financial Instruments (Continued)

by changes in interest rates or market conditions; as a cash management tool; to hedge interest rate risks associated with the Fund's investments; to facilitate investments in portfolio securities; and to reduce cost. In addition, the Fund may take long or short positions in futures to seek to stabilize overall portfolio volatility and to hedge overall market risk.

Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Cash deposited as initial margin receivable is shown as collateral held at the broker in the consolidated statement of assets and liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract ("variation margin"). Variation margin is recorded as receivable (or payable) for variation margin on open futures in the consolidated statement of assets and liabilities. When the contract is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. Risks of entering into futures contracts include interest rate risk and the possibility of an illiquid secondary market for these instruments. When investing in futures, there is reduced counterparty credit risk to the Fund because futures are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees against default.

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. These contracts help to manage the overall exposure to the currencies in which some of the investments and borrowings held by the Fund are denominated and, in some cases, may be used to obtain exposure to a particular market.

Each forward foreign currency exchange contract is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the consolidated statement of assets and liabilities. When a contract is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the value at the time it was opened and the value at the time it was closed. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of forward foreign currency exchange contracts contains the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies, and the risk that counterparties are unable to fulfill their obligations under the contracts. The Fund mitigates its counterparty risk by entering into forward foreign currency exchange contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance.

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts to manage its credit risk, to gain exposure to a credit in which it may otherwise invest or to enhance its returns. The Fund may also purchase and write call and put options in an effort to manage risk and/or generate gains from options premiums.

Note 6. Financial Instruments (Continued)

The fair value of open derivative instruments (which are not considered to be hedging instruments for accounting disclosure purposes) by risk exposure as of October 31, 2018 is as follows:

	Fair Value	
	Asset Derivative	Liability Derivative
Foreign Currency Risk		
Forward foreign currency exchange contracts	$58[1]	—
Interest Rate Risk		
Futures contracts	—	$ 3[2]
Interest rate swaps	—	$ 1[3]

The Fund's derivative assets and liabilities at fair value by risk, presented in the table above, are reported on a gross basis on the Fund's consolidated statement of assets and liabilities, and located as follows:

(1) Unrealized appreciation on forward foreign currency exchange contracts.

(2) Payable for variation margin on open futures contracts.

(3) Unrealized depreciation on interest rate swaps.

The following tables present the Fund's derivative assets and liabilities by counterparty, net of amounts available for offset under a master netting agreement and net of the related collateral received by the Fund for assets or pledged by the Fund for liabilities as of October 31, 2018:

Counterparty	Derivative Assets Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Received[1]	Cash Collateral Received[1]	Net Amount of Derivative Assets[2]
Bank of America, N.A.	$58	—	—	—	$58

Counterparty	Derivative Liabilities Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Pledged[1]	Cash Collateral Pledged[1]	Net Amount of Derivative Liabilities[3]
JPMorgan Chase Bank, N.A.	$1	—	—	$1	—

(1) In some instances, the actual amount of the collateral received and/or pledged may be more than the amount shown due to overcollateralization.

(2) Net amount of derivative assets represents the net amount due from the counterparty to the Fund in the event of default.

(3) Net amount of derivative liabilities represents the net amount due from the Fund to the counterparty in the event of default.

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

The effect of derivative instruments (which are not considered to be hedging instruments for accounting disclosure purposes) on the Fund's consolidated statement of operations by risk exposure for the period ended October 31, 2018 is as follows:

	Fair Value	
	Realized Gain (Loss) on Derivatives Recognized in Income	Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Foreign Currency Risk		
Forward foreign currency exchange contracts	—	$58[1]
Interest Rate Risk		
Futures contracts	—	$ (3)[2]
Interest rate swaps	—	$ (1)[3]

The Fund's derivative instruments at fair value by risk, presented in the table above, are reported on the Fund's consolidated statement of operations and located as follows:

(1) Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts.

(2) Net change in unrealized appreciation (depreciation) on open futures contracts.

(3) Net change in unrealized appreciation (depreciation) on interest rate swaps.

The average notional amounts of forward foreign currency exchange contracts, futures contracts and interest rate swaps outstanding during the year ended October 31, 2018, which are indicative of the volumes of these derivative types, were $1,456, $471 and $313, respectively.

Note 7. Investment Portfolio

The following table summarizes the composition of the Fund's investment portfolio at cost and fair value as of October 31, 2018:

	Amortized Cost[1]	Fair Value	Percentage of Portfolio
Real Estate Funds	$ 6,000	$ 6,049	15%
Senior Secured Loans—First Lien	5,781	5,739	15%
Senior Secured Loans—Second Lien	1,113	1,112	3%
Senior Secured Bonds	4,824	4,762	12%
Unsecured Bonds	7,689	7,613	19%
CLO / Structured Credit	2,790	2,777	7%
Short-Term Investments	11,709	11,709	29%
Total Investments	$39,906	$39,761	100%
Investments Sold Short	$ (13)	$ (13)	

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (Continued)

The following is the strategy and liquidity terms of the investments that are measured at estimated NAV per share as a practical expedient. There were no unfunded commitments.

Real Estate Funds	Investment Strategy	Fair Value	Redemption Notice Period for Quarterly Redemptions	Redemption Restriction Terms
Brookfield Premier Real Estate Partners	Open-end core-plus fund that acquires a high-quality, diverse portfolio offering stable and predictable cash flows, targeting Class A office, multifamily, industrial and retail assets across the U.S. but predominantly situated in supply-constrained markets with the potential for long-term value appreciation.	$2,018	No later than 90 calendar days prior to the last day of the calendar quarter	New investors have their capital locked up through two years and a quarter after the date the limited partner's units were issued. No partial redemption request will be permitted if the aggregate NAV of the units to be redeemed would be less than $100 million.
CBRE U.S. Core Partners, LP	Open-end core fund that purchases and operates high-quality, income-producing office, industrial, retail, and multifamily assets in select major U.S. metropolitan markets that exhibit strong growth demographics.	2,016	No later than 60 calendar days prior to the last day of the calendar quarter	No partial redemption request will be permitted if the aggregate NAV of the units to be redeemed would be less than $1 million.
Clarion Lion Properties Fund	Open-end core real estate fund with interests in a diversified portfolio of primarily institutional quality real estate assets and related investments located throughout the U.S. to provide a strong income return with potential for long-term capital appreciation.	2,015	No later than 90 calendar days prior to the last day of the calendar quarter	None.
		$6,049		

In general, under the 1940 Act, the Fund would be presumed to "control" a portfolio company if it owned more than 25% of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an "affiliated person" of a portfolio company if it owned 5% or more of its voting securities.

As of October 31, 2018, the Fund did not "control" any of its portfolio companies and was not an "affiliated person" of any of its portfolio companies, each as defined in the 1940 Act.

Purchases and sales of securities during the year ended October 31, 2018, other than short-term securities and U.S. government obligations, were $28,705 and $497, respectively.

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments

Under existing accounting guidance, fair value is defined as the price that the Fund would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The Fund classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets.

Level 3: Inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As of October 31, 2018, the Fund's investments and derivatives were categorized as follows in the fair value hierarchy:

Asset Description	Level 1	Level 2	Level 3	Total
Senior Secured Loans—First Lien	—	$ 5,739	—	$ 5,739
Senior Secured Loans—Second Lien	—	1,112	—	1,112
Senior Secured Bonds	—	4,762	—	4,762
Unsecured Bonds	—	7,613	—	7,613
CLO / Structured Credit	—	2,777	—	2,777
Short-Term Investments	—	11,709	—	11,709
Subtotal	—	33,712	—	33,712
Real Estate Funds	—	—	—	6,049
Total Investments	—	33,712	—	39,761
Interest Rate Swaps	—	—	—	—
Forward Foreign Currency Exchange Contracts	—	58	—	58
Futures Contracts	—	—	—	—
Investments Sold Short	—	—	—	—
Total Assets	—	$ 58	—	$ 58

Liability Description	Level 1	Level 2	Level 3	Total
Interest Rate Swaps	—	$(1)	—	$ (1)
Forward Foreign Currency Exchange Contracts	—	—	—	—
Futures Contracts	(3)	—	—	(3)
Investments Sold Short	(13)	—	—	(13)
Total Liabilities	$(16)	$(1)	—	$(17)

The Fund's investments consist primarily of debt securities that are traded on a private over-the-counter market for institutional investors. Except as described below, the Fund values its investments daily by using the midpoint of the prevailing bid and ask prices from dealers, which are provided by an independent third-party pricing service approved by the Board and screened for validity by such

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

service. Investments and futures that are traded on an active public market are valued daily at their closing price. Forward foreign currency exchange contracts and interest rate swaps are valued at their quoted daily prices obtained from an independent third party. Debt investments where prices from dealers are not available are valued using broker quotes. Debt investments for which broker quotes are not available would be valued by an independent third-party valuation firm approved by the Board, which determines the fair value of such investments by considering, among other factors, the borrower's ability to adequately service its debt, prevailing interest rates for like investments, expected cash flows, call features, anticipated prepayments and other relevant terms of the investments. In accordance with ASC 820, private real estate funds are measured at estimated NAV and not included in the fair value hierarchy.

The Fund periodically benchmarks the bid and ask prices it receives from the independent third-party pricing service and/or dealers, as applicable, against the actual prices at which it purchases and sells its investments. Based on the results of the benchmark analysis and the experience of the Fund's management in purchasing and selling these investments in other investment funds managed by the sponsor, the Fund believes that these prices are reliable indicators of fair value. The Fund may also use other methods, including the use of an independent third-party valuation service approved by the Board, to determine fair value for securities for which it cannot obtain prevailing bid and ask prices through independent third-party pricing services or independent dealers, or where the Board otherwise determines that the use of such other methods is appropriate. The Fund will periodically benchmark the valuations provided by the independent third-party valuation service against the actual prices at which the Fund purchases and sells its investments. The Fund's audit committee and Board reviewed the valuation determinations made with respect to these investments and determined that they were made in a manner consistent with the Fund's valuation policy.

Note 9. Financing Arrangement

The following table presents summary information with respect to the Fund's financing arrangement as of October 31, 2018:

Arrangement	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
BNP Facility	Revolving Prime Brokerage	L+1.00%	$ —	$ —	April 28, 2019(1)

(1) As described below, the BNP Facility generally is terminable upon 179 days' notice by either party. As of October 31, 2018, neither the Fund nor BNP Paribas had provided notice of its intent to terminate the facility.

BNP Facility

On October 9, 2018, the Fund's wholly owned subsidiary, FS Multi Alternative Credit LLC ("Alternative Credit"), entered into a committed facility arrangement (the "BNP Facility") with BNP Paribas Prime Brokerage International, Ltd. (together with its affiliates "BNP Paribas"). The BNP Facility provides for borrowings on a committed basis up to a maximum amount equal to the average outstanding balance over the past ten business days or, if fewer, the number of business days since closing. The Fund may also borrow additional amounts on an uncommitted basis, at the discretion of BNP Paribas, to the extent the pledged collateral provides sufficient coverage for such additional borrowings. Borrowings are available in U.S. Dollars ("USD"), Canadian Dollars ("CAD"), Euro ("EUR"), British Pounds ("GBP"), Swiss Francs ("CHF"), Australian Dollars ("AUD"), Japanese Yen ("JPY"), Swedish Krona ("SEK"), and Danish Krone ("DKK"). Borrowings under the BNP Facility accrue interest at a rate equal to the London Interbank Offered Rate ("LIBOR") for a one-month interest period plus 1.00% per annum on USD

Note 9. Financing Arrangement (Continued)

borrowings, the Canadian Dollar Offered Rate ("CDOR") for a one-month interest period plus 1.00% per annum on CAD borrowings, the British Pound Sterling London Interbank Offered Rate ("GBP LIBOR") for a one-month interest period plus 1.00% per annum on GBP borrowings, the Swiss Franc London Interbank Offered Rate ("CHF LIBOR") for a one-month interest period plus 1.00% per annum on CHF borrowings, the Bank Bill Swap Reference Rate ("BBSW") for a one-month interest period plus 1.00% per annum on AUD borrowings, the Japanese Yen London Interbank Offered Rate ("JPY LIBOR") for a one-month interest period plus 1.00% per annum on JPY borrowings, the Stockholm Interbank Offered Rate ("STIBOR") for a one-month interest period plus 1.00% per annum on SEK borrowings, or the Copenhagen Interbank Offered Rate ("CIBOR") for a one-month interest period plus 1.00% per annum on DKK borrowings. Interest is payable monthly in arrears. Alternative Credit may terminate the facility at any time. Absent a default or facility termination event (or the ratings decline described in the following sentence), BNP Paribas is required to provide Alternative Credit with 179 days' notice prior to terminating or materially amending the BNP Facility. BNP Paribas has a cancellation right if BNP Paribas' long-term credit rating declines three or more notches below its highest rating by any of Moody's Investors Service, Inc., Standard & Poor's Ratings Services or Fitch IBCA, Inc. during the term of the BNP Facility. Upon any such termination, BNP Paribas is required to pay Alternative Credit a fee equal to 1.00% of the maximum amount of financing available on the termination date.

In connection with the BNP Facility, Alternative Credit has made certain representations and warranties and is required to comply with various covenants and reporting requirements customary for facilities of this type. The BNP Facility agreements contain the following events of default and termination events, among others: (a) the occurrence of a default or similar condition under certain third-party contracts of the Fund or Alternative Credit; (b) any change in BNP Paribas' interpretation of applicable law that, in the reasonable opinion of counsel to BNP Paribas, has the effect of impeding or prohibiting the BNP Facility; (c) certain events of insolvency or bankruptcy by the Fund or Alternative Credit; (d) specified material reductions in the Fund or Alternative Credit's NAV; (e) any change in the Fund's fundamental or material investment policies; and (f) the termination of the Investment Advisory Agreement or if FS Multi-Alternative Advisor otherwise ceases to act as the Fund's investment adviser and is not immediately replaced by an affiliate or other investment adviser acceptable to BNP Paribas.

During the period from September 27, 2018 (Commencement of Operations) to October 31, 2018, no amounts were outstanding under the facility.

Under the terms of the BNP Facility, BNP Paribas has the ability to borrow a portion of the pledged collateral (collectively, the "rehypothecated securities"), subject to certain limits, in exchange for paying to Alternative Credit a fee equal to 70% of the difference between the fair market rate (as determined by BNP Paribas) and the overnight Fed Funds rate. Alternative Credit may, in its sole discretion for any valid business reason, designate any security within the pledged collateral as ineligible to be a rehypothecated security, provided there remain securities eligible to be rehypothecated within the segregated custody account in an amount equal to the outstanding borrowings owed by Alternative Credit to BNP Paribas. The Fund may recall any rehypothecated security at any time and BNP Paribas must return such security or an equivalent security within a commercially reasonable period. In the event BNP Paribas does not return the security, the Fund will have the right to, among other things, apply and set off an amount equal to 100% of the then-current fair market value of such rehypothecated securities against any outstanding borrowings owed to BNP Paribas under the facility. Rehypothecated securities are marked-to-market daily and if the value of all rehypothecated securities exceeds 100% of the outstanding borrowings owed by Alternative Credit under the BNP Facility, BNP Paribas may either reduce the amount of rehypothecated securities to eliminate such excess or deposit into the segregated custody account an amount of cash equal to such excess. Alternative Credit will

Note 9. Financing Arrangement (Continued)

continue to receive interest and the scheduled repayment of principal balances on rehypothecated securities. For the period from September 27, 2018 (Commencement of Operations) to October 31, 2018, Alternative Credit did not receive any fees from BNP Paribas for securities that had been rehypothecated pursuant to the BNP Facility. As of October 31, 2018, there were no securities rehypothecated by BNP Paribas.

Note 10. Concentration of Risk

Investing in the Fund involves risks, including, but not limited to, those set forth below. The risks described below are not, and are not intended to be, a complete enumeration or explanation of the risks involved in an investment in the Fund. For a more complete discussion of the risks of investing in the Fund, see the section entitled “Types of Investments and Related Risks” in the Fund’s prospectus and the Fund’s other filings with the SEC.

Credit Risk: The Fund’s debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Fund and a reduction in the value of the debt investments experiencing non-payment.

Although the Fund may invest in investments that FS Multi-Alternative Advisor and the Sub-Advisers believe are secured by specific collateral, the value of which may exceed the principal amount of the investments at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the Fund. Moreover, the Fund’s investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, the Fund may not have priority over other creditors as anticipated. The Fund’s right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of more senior creditors. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a portfolio company’s ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Companies in which the Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or an economic downturn. As a result, companies that the Fund expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Non-U.S. Securities Risk: Investments in certain securities and other instruments of non-U.S. issuers or borrowers (“non-U.S. securities”), involve factors not typically associated with investing in the United States or other developed countries, including, but not limited to, risks relating to: (i) differences between U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; and less government supervision and regulation; (ii) other differences in law and regulation, including fewer investor protections, less stringent fiduciary duties, less developed bankruptcy laws and difficulty in enforcing contractual

Note 10. Concentration of Risk (Continued)

obligations; (iii) certain economic and political risks, including potential economic, political or social instability; exchange control regulations; restrictions on foreign investment and repatriation of capital, possibly requiring government approval; expropriation or confiscatory taxation; other government restrictions by the United States or other governments; higher rates of inflation; higher transaction costs; and reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms; and (iv) the possible imposition of local taxes on income and gains recognized with respect to securities and assets. Certain non-U.S. markets may rely heavily on particular industries or non-U.S. capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, organizations, entities and/or individuals, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. International trade barriers or economic sanctions against non-U.S. countries, organizations, entities and/or individuals may adversely affect the Fund's non-U.S. holdings or exposures. Certain non-U.S. investments may become less liquid in response to social, political or market developments or adverse investor perceptions, or become illiquid after purchase by the Fund, particularly during periods of market turmoil. Certain non-U.S. investments may become illiquid when, for instance, there are few, if any, interested buyers and sellers or when dealers are unwilling to make a market for certain securities. When the Fund holds illiquid investments, its portfolio may be harder to value, especially in changing markets. The risks of investments in emerging markets, including the risks described above, are usually greater than the risks involved in investing in more developed markets. Because non-U.S. securities may trade on days when the Fund's common shares are not priced, NAV may change at times when common shares cannot be sold.

Foreign Currency Risk: Investments made by the Fund, and the income received by the Fund with respect to such investments, may be denominated in various non-U.S. currencies. However, the books of the Fund are maintained in U.S. dollars. Accordingly, changes in currency values may adversely affect the U.S. dollar value of portfolio investments, interest and other revenue streams received by the Fund, gains and losses realized on the sale of portfolio investments and the amount of distributions, if any, made by the Fund. In addition, the Fund may incur substantial costs in converting investment proceeds from one currency to another. The Fund may enter into derivative transactions designed to reduce such currency risks. Furthermore, the portfolio companies in which the Fund invests may be subject to risks relating to changes in currency values. If a portfolio company suffers adverse consequences as a result of such changes, the Fund may also be adversely affected as a result.

REIT and Real Estate Risk: Investing in companies that invest in real estate exposes the Fund to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which real estate companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments, and characterized by intense competition and periodic overbuilding. Real estate companies may lack diversification due to ownership of a limited number of properties and concentration in a particular geographic region or property type. Real estate investment trusts ("REITs") are financial vehicles that pool investor capital to purchase or finance real estate. Equity REITs invest primarily in direct ownership or lease of real property, and they derive most of their income from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Investing in equity REITs and other real estate investment vehicles, such as ETFs, index funds, closed-end funds, mutual funds and unregistered investment funds (together with REITs, "Real Estate Investment Vehicles"), involves certain unique risks in addition to those risks associated with investing in the real estate industry in general.

Real Estate Investment Vehicles are typically small or medium market capitalization companies, and they are subject to management fees and other expenses. When the Fund invests in Real Estate Investment Vehicles, it will bear its proportionate share of the costs of the Real Estate Investment

Note 10. Concentration of Risk (Continued)

Vehicles' operations. Real Estate Investment Vehicles are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. Real Estate Investment Vehicles also are subject to the possibility of failing to qualify for tax-free pass-through of income. Also, because Real Estate Investment Vehicles typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. In the event of a default by a borrower or lessee, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.

Note 11. Commitments and Contingencies

The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown; however, the Fund has not had prior claims or losses pursuant to these contracts. Management of FS Multi-Alternative Advisor has reviewed the Fund's existing contracts and expects the risk of loss to the Fund to be remote.

The Fund is not currently subject to any material legal proceedings and, to the Fund's knowledge, no material legal proceedings are threatened against the Fund. From time to time, the Fund may be a party to certain legal proceedings in the ordinary course of business, including proceedings related to the enforcement of the Fund's rights under contracts with its portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, to the extent the Fund becomes party to such proceedings, the Fund would assess whether any such proceedings will have a material adverse effect upon its financial condition or results of operations.

See Note 4 for a discussion of the Fund's commitments to FS Multi-Alternative Advisor, the Sub-Advisers and their respective affiliates (including FS Investments).

Note 12. Subsequent Events

Waiver of Management Fees and Administrative Expense Reimbursements for the Fiscal Quarter Ending January 31, 2019

Pursuant to a letter agreement (the "Letter Agreement") dated as of December 24, 2018, between FS Multi-Alternative Advisor and the Fund, FS Multi-Alternative Advisor has agreed, for the fiscal quarter ending January 31, 2019, to waive the Management Fee to which it is entitled under the Investment Advisory Agreement so that the fee received equals 0.00% of the Fund's average daily gross assets during the fiscal quarter.

In addition, pursuant to the Letter Agreement, FS Multi-Alternative Advisor has agreed, for the fiscal quarter ending January 31, 2019, to waive reimbursement of and/or pay certain of the Fund's "ordinary operating expenses" (as defined below) (or to cause its affiliates to waive and/or pay such expenses) to the extent necessary to ensure that the Fund's "ordinary operating expenses" for each class of Shares, as applicable, do not exceed 0.00% of average daily net assets. For purposes of the Letter Agreement, "ordinary operating expenses" for a class of Shares shall consist of all ordinary expenses of the Fund attributable to such class, including administration fees, transfer agent fees, fees paid to the Fund's trustees, legal expenses relating to the Fund's registration statements (and any amendments or supplements thereto) and other filings with the Securities and Exchange Commission (whether incurred by counsel to the Fund, FS Multi-Alternative Advisor or any sub-adviser to the Fund), administrative services expenses, and related costs associated with legal, regulatory compliance and investor relations, but excluding the following: (a) investment advisory fees, (b) portfolio transaction and other investment-related costs (including brokerage commissions, dealer and underwriter spreads,

Note 12. Subsequent Events (Continued)

commitment fees on leverage facilities, prime broker fees and expenses and dividend expenses related to short sales); (c) interest expense and other financing costs, (d) taxes; (e) distribution or shareholder servicing fees and (f) extraordinary expenses, as described in the Letter Agreement.

The specific amount of expenses waivable and/or payable by FS Multi-Alternative Advisor pursuant to the Letter Agreement, if any, will be determined at the end of the fiscal quarter ending January 31, 2019.

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FS Multi-Alternative Income Fund

Semi-Annual Report for the Six Months Ended April 30, 2019

Unaudited Consolidated Schedule of Investments
As of April 30, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Industry	Number of Shares	Cost	Fair Value[(c)]
Real Estate Funds—19.8%				
Brookfield Premier Real Estate Partners	Real Estate	1,599	$2,061	$2,102
CBRE U.S. Core Partners, LP	Real Estate	1,452,278	2,069	2,087
Clarion Lion Properties Fund	Real Estate	1,371	2,045	2,096
RREEF Core Plus Industrial Fund	Real Estate	2,395	300	303
Total Real Estate Funds			6,475	6,588

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Senior Secured Loans—First Lien—26.2%					
Abaco Energy Technologies LLC, L+950, 1.0% Floor, 11/20/2020	(d)(e)	Independent Oil & Gas	$131	128	132
Access CIG, LLC, L+775, 2/27/2026	(e)	Technology	179	179	179
Accuride Corp., L+525, 1.0% Floor, 11/17/2023	(e)	Automotive	328	308	290
Acosta Holdco, Inc., L+325, 9/26/2021	(e)	Food and Beverage	155	82	67
Advantage Sales & Marketing, Inc., L+325, 5.7% Floor, 7/23/2021	(e)	Media Entertainment	442	417	389
Advantage Sales & Marketing, Inc., L+325, 5.7% Floor, 7/23/2021	(d)(e)	Media Entertainment	30	27	26
AHP Health Partners, Inc., L+450, 7.0% Floor, 6/30/2025	(d)(e)	Healthcare	149	150	149
AI Ladder (Luxembourg) Subco S.a r.l, L+450, 7/9/2025	(e)	Securities & Trusts	7	7	7
Aleris International, Inc., L+475, 2/27/2023	(e)	Metals and Mining	5	5	5
Algoma Steel, Inc., L+850, 11.1% Floor, 12/1/2025	(d)(e)	Steel	65	65	64
Almonde, Inc., L+350, 6/13/2024	(e)	Technology	20	20	20
American Tire Distributors Holdings, Inc., 7.50%, 9/2/2024	(n)	Automotive	14	13	13
APX Group, Inc., L+400, 4/1/2024	(e)	Consumer Cyclical Services	308	308	304
BCP Raptor II, LLC, L+475, 11/3/2025	(e)	Midstream	206	205	200
BCP Raptor, LLC, L+425, 6/24/2024	(e)	Energy Midstream	314	307	304
Belk, Inc., L+475, 12/12/2022	(e)	Retailers	617	540	519
California Resources Corp., L+475, 7.2% Floor, 12/31/2022	(d)(e)	Independent Oil & Gas	134	138	131

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Cengage Learning, Inc., 4.25%, 6/7/2023	(d)(n)	Media Entertainment	$ 30	$ 29	$ 29
Champ Acquisition Corp., L+550, 12/12/2025	(e)	Consumer Products	99	97	100
CommerceHub, Inc., L+375, 5/2/2025	(e)	Technology	10	10	10
CSM Bakery Solutions LLC, L+400, 7/3/2020	(e)	Food and Beverage	51	50	49
Dex Media, Inc., L+900, 11.6% Floor, 12/29/2023	(d)(e)	Periodical Publishers	289	285	298
Diamond Resorts Corp., L+375, 9/2/2023	(e)	Lodging	209	204	200
Dun & Bradstreet Corp., L+500, 7.5% Floor, 2/1/2026	(d)(e)	Technology	25	24	25
Dynasty Acquisition Co., Inc., L+400, 6.6% Floor, 4/6/2026	(d)(e)	Transportation Services	23	23	23
EIF Van Hook Holdings, LLC, L+525, 9/5/2024	(e)	Energy Midstream	390	385	377
Employbridge LLC, L+450, 4/18/2025	(e)	Consumer Cyclical Services	193	195	194
Envision Healthcare Corp., L+375, 6.2% Floor, 10/10/2025	(d)(e)	Healthcare	104	99	100
Equitrans Midstream Corp., L+450, 7.0% Floor, 1/31/2024	(d)(e)	Midstream	399	387	403
Flexential Intermediate Corp., L+350, 8/1/2024	(e)	Computers & Electronics	381	359	352
Foresight Energy, LLC, L+575, 3/28/2022	(e)	Metals & Mining	287	289	271
GOBP Holdings, Inc., L+725, 10/22/2026	(e)	Retail Food & Drug	62	62	62
J.C. Penney Corp., Inc., L+425, 6/23/2023	(e)	Retailers	218	198	195
Jo-Ann Stores, Inc., L+500, 7.6% Floor, 10/20/2023	(e)	Retailers	182	182	182
Jo-Ann Stores, Inc., L+500, 7.6% Floor, 10/20/2023	(d)(e)	Retailers	38	36	38
Monitronics International, Inc., L+550, 9/30/2022	(e)	Consumer Cyclical Services	112	107	103
Neiman Marcus Group Ltd. LLC, L+325, 5.7% Floor, 10/25/2020	(d)(e)	Retailers	55	45	51
Nomad Buyer, Inc., L+500, 8/1/2025	(e)	Technology	410	399	405

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Patterson Medical Holdings, Inc., L+475, 7.3% Floor, 8/28/2022	(d)(e)	Healthcare	$145	$ 140	$ 144
PetSmart, Inc., 4.25%, 3/11/2022	(d)(n)	Retailers	25	24	24
PG&E Opco, 10.75%, 4/27/2020	(d)(n)	Electric	15	14	13
Polar US Borrower, LLC, L+475, 10/15/2025	(e)	Chemicals	164	161	165
Premier Oil plc, L+500, 5/31/2021	(d)(e)	Independent Oil & Gas	134	126	126
Premier Oil plc, L+500, 5/31/2021	(d)(e)	Independent Oil & Gas	36	34	34
Quorum Health Corp., L+675, 9.2% Floor, 4/29/2022	(d)(e)	Healthcare-Services	34	34	34
R.R. Donnelley & Sons Co., L+500, 7.5% Floor, 1/15/2024	(d)(e)	Media Entertainment	150	149	150
R1 RCM, Inc., L+525, 7.7% Floor, 5/8/2025	(d)(e)	Other Financial	89	89	89
RegionalCare Hospital Partners Holdings, Inc., L+450, 7.0% Floor, 11/16/2025	(d)(e)	Healthcare-Services	176	174	177
RP Crown Parent, LLC, L+275, 10/12/2023	(e)	Technology	142	141	142
Seadrill Partners Finco LLC, L+600, 8.6% Floor, 2/21/2021	(d)(e)	Oil Field Services	174	152	140
Sequa Mezzanine Holdings L.L.C., L+500, 11/28/2021	(e)	Aerospace/Defense	375	372	372
SGS Cayman, L.P., L+537.5, 4/23/2021	(e)	Consumer Cyclical Services	83	80	81
Sutherland Global Services, Inc., L+537.5, 4/23/2021	(e)	Consumer Cyclical Services	357	343	350
TopGolf International, Inc., L+550, 8.0% Floor, 2/9/2026	(d)(e)	Leisure	105	104	107
UTEX Industries Inc., L+400, 6.5% Floor, 5/22/2021	(d)(e)	Chemicals	229	228	222
WireCo WorldGroup, Inc., L+500, 9/30/2023	(e)	Other Industrial	49	49	49
Total Senior Secured Loans—First Lien				8,778	8,685
Senior Secured Loans—Second Lien—5.4%					
Almonde, Inc., L+725, 9.9% Floor, 6/13/2025	(d)(e)	Technology	8	8	8
Comet Acquisition, Inc., L+750, 10/26/2026	(e)	Healthcare	44	43	43
Dynasty Acquisition Co., Inc., L+400, 6.6% Floor, 4/6/2026	(d)(e)	Transportation Services	12	12	12

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[a]	Footnotes	Industry	Principal Amount[b]	Amortized Cost	Fair Value[c]
EXC Holdings III Corp., L+750, 12/1/2025	(e)	Diversified Manufacturing	$406	$ 400	$ 408
Flexential Intermediate Corp., L+725, 8/1/2025	(e)	Computers & Electronics	155	150	138
Jo-Ann Stores, Inc., L+925, 5/21/2024	(d)	Retailers	154	147	148
Sequa Mezzanine Holdings LLC, L+900, 4/28/2022	(e)	Aerospace/Defense	203	200	200
SMG Holdings, Inc., L+700, 1/23/2026	(e)	Leisure Time	99	100	101
UTEX Industries Inc., L+725, 9.7% Floor, 5/22/2022	(d)(e)	Chemicals	230	229	218
Vectra Co., L+725, 3/8/2026	(e)	Chemicals	102	102	100
Verifone Systems, Inc., L+800, 10.7% Floor, 8/20/2026	(d)(e)	Technology	305	304	307
WireCo WorldGroup, Inc., L+900, 9/30/2024	(e)	Other Industrial	104	105	104
Total Senior Secured Loans—Second Lien				1,800	1,787
Senior Secured Bonds—16.9%					
ADT Corp., 4.9%, 7/15/2032	(d)(f)(g)	Consumer Cyclical Services	97	77	81
Altice France SA, 8.1%, 2/1/2027	(d)(f)(g)	Media Entertainment	475	483	496
APX Group, Inc., 8.8%, 12/1/2020		Commercial Services	107	107	105
Artesyn Embedded Technologies, Inc., 9.8%, 10/15/2020	(f)	Electrical Components & Equipment	86	83	82
Avantor, Inc., 4.8%, 10/1/2024	(d)	Healthcare-Products	€132	154	157
BCD Acquisition, Inc., 9.6%, 9/15/2023	(d)(f)(g)	Auto Manufacturers	$ 47	49	50
CSI Compressco LP/CSI Compressco Finance, Inc., 7.5%, 4/1/2025	(d)(f)(g)	Oil & Gas Services	450	456	438
Denbury Resources, Inc., 9.3%, 3/31/2022	(d)(f)(g)	Oil & Gas	128	135	130
Denbury Resources, Inc., 7.5%, 2/15/2024	(d)(f)(g)	Oil & Gas	28	24	26
Digicel International Finance Ltd/Digicel Holdings Bermuda Ltd, 8.8%, 5/25/2024	(d)(f)(g)	Telecommunications	200	200	200
Frontier Communications Corp., 8.0%, 4/1/2027	(d)(f)(g)	Telecommunications	74	74	77
Frontier Communications Corp., 8.5%, 4/1/2026	(d)(f)(g)	Telecommunications	142	131	134
Hexion, Inc., 6.6%, 4/15/2020	(d)(h)	Chemicals	253	231	201

See notes to unaudited consolidated financial statements.

Unaudited Consolidated Schedule of Investments (Continued)
As of April 30, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Hot Topic, Inc., 9.3%, 6/15/2021	(d)(f)	Retailers	$ 55	$ 55	$ 55
Hudbay Minerals, Inc., 7.6%, 1/15/2025	(d)(f)(g)	Mining	105	106	110
Intelsat Jackson Holdings SA, 5.5%, 8/1/2023		Telecommunications	218	204	197
Italy Buoni Poliennali Del Tesoro, 2.5%, 10/1/2023	(d)	Sovereign	€ 63	75	74
Italy Buoni Poliennali Del Tesoro, 2.8%, 12/1/2028	(d)	Sovereign	63	74	73
JC Penney Corp., Inc., 8.1%, 10/1/2019		Retail	$ 39	38	39
JW Aluminum Continuous Cast Co., 10.3%, 6/1/2026	(d)(f)(g)	Metals & Mining	25	25	26
L Brands, Inc., 6.9%, 11/1/2035	(d)(g)	Retail	142	122	127
L Brands, Inc., 6.8%, 7/1/2036	(d)(g)	Retail	136	114	119
NCI Building Systems, Inc., 8.0%, 4/15/2026	(f)	Engineering & Construction	212	203	198
Northern Oil and Gas, Inc., 9.5%, 5/15/2023	(d)(g)	Oil & Gas	36	35	38
Octagon Loan Funding Ltd, 5.6%, 11/18/2031	(d)(f)	Other ABS	250	250	243
Pacific Drilling First Lien Escrow Issuer Ltd., 8.4%, 10/1/2023	(d)(f)(g)	Oil & Gas	162	167	167
Quorum Health Corp., 11.6%, 4/15/2023	(d)(g)	Healthcare	27	27	23
RegionalCare Hospital Partners Holdings, Inc./LifePoint Health, Inc., 9.8%, 12/1/2026	(f)	Healthcare	188	187	197
Russian Federal Bond—OFZ, 7.3%, 5/10/2034	(d)	Sovereign	2,650	38	38
Solocal Group, 8.0%, 3/15/2022	(d)	Internet	€ 221	249	229
SRS Distribution, Inc., 8.3%, 7/1/2026	(f)	Retail	$ 313	299	307
Staples, Inc., 7.5%, 4/15/2026	(d)(f)	Retail	149	149	149
Star Merger Sub, Inc., 6.9%, 8/15/2026	(d)(f)(g)	Commercial Services	119	119	124
Team Health Holdings, Inc., 6.4%, 2/1/2025	(f)	Healthcare	182	158	155
TransDigm, Inc., 6.4%, 6/15/2026	(d)	Aerospace/Defense	7	7	7
Truck Hero, Inc., 8.5%, 4/21/2024	(d)(f)	Auto Parts & Equipment	70	70	71
Urban One, Inc., 7.4%, 4/15/2022	(d)(f)(g)	Media Entertainment	239	230	236

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Vantage Drilling International, 9.3%, 11/15/2023	(d)(f)(g)	Oil & Gas	$410	$ 410	$ 425
Total Senior Secured Bonds				5,615	5,604
Unsecured Bonds—25.9%					
AHP Health Partners, Inc., 9.8%, 7/15/2026	(d)(f)(g)	Healthcare-Services	109	112	118
APX Group, Inc., 7.6%, 9/1/2023		Commercial Services	105	99	93
Aruba Investments, Inc., 8.8%, 2/15/2023	(d)(f)(g)	Chemicals	152	153	153
Ashton Woods USA LLC/Ashton Woods Finance Co., 6.8%, 8/1/2025	(d)(f)	Home Builders	9	8	8
Ashton Woods USA LLC/Ashton Woods Finance Co., 9.9%, 4/1/2027	(d)(f)(g)	Home Builders	60	60	63
Bausch Health Americas, Inc., 8.5%, 1/31/2027	(d)(f)(g)	Pharmaceuticals	100	103	109
CDK Global, Inc., 4.9%, 6/1/2027	(d)(g)	Software	30	30	30
Central Garden & Pet Co., 5.1%, 2/1/2028	(d)	Household Products/Wares	12	11	12
Cleveland-Cliffs, Inc., 5.9%, 6/1/2027	(d)(f)	Iron/Steel	30	29	29
Cleveland-Cliffs, Inc., 6.3%, 10/1/2040	(d)	Iron/Steel	47	41	41
Compass Group Diversified Holdings LLC, 8.0%, 5/1/2026	(d)(f)(g)	Other Industrial	86	90	90
Constellation Merger Sub, Inc., 8.5%, 9/15/2025	(f)	Leisure Time	310	300	294
Coty, Inc., 6.5%, 4/15/2026	(d)(f)(g)	Household Products	26	25	26
Denbury Resources, Inc., 4.6%, 7/15/2023	(d)(g)	Oil & Gas	115	103	80
Diamond Resorts International, Inc., 10.8%, 9/1/2024	(f)	Lodging	71	71	68
Edison International, 4.1%, 3/15/2028	(d)(g)	Electric	54	48	52
Ensco PLC, 7.8%, 2/1/2026	(d)(g)	Oil & Gas	210	204	181
Forestar Group, Inc., 8.0%, 4/15/2024	(d)(f)	Real Estate	29	29	30
Frontier Communications Corp., 9.0%, 8/15/2031	(d)(g)	Telecommunications	360	230	203
Frontier North, Inc., 6.7%, 2/15/2028	(d)(g)	Telecommunications	310	275	282
Genesys Telecommunications Laboratories, Inc./Greeneden Lux 3 Sarl/Greeneden US Ho, 10.0%, 11/30/2024	(f)	Software	454	493	501

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Schedule of Investments (Continued)
As of April 30, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Genesys Telecommunications Laboratories, Inc./Greeneden Lux 3 Sarl/Greeneden US Ho, 10.0%, 11/30/2024	(d)(f)	Software	$ 85	$ 91	$ 94
HLF Financing Sarl LLC/Herbalife International, Inc., 7.3%, 8/15/2026	(d)(f)	Pharmaceuticals	159	162	162
InterXion Holding NV, 4.8%, 6/15/2025	(d)	Software	€195	237	234
KGA Escrow LLC, 7.5%, 8/15/2023	(f)	Retail	$192	198	199
Liberty Interactive LLC, 4.0%, 11/15/2029	(d)(g)	Media Entertainment	899	626	631
Lloyds Banking Group PLC, 7.5%, 9/27/2025	(d)(g)	Commercial Banks	218	206	227
Macy's Retail Holdings, Inc., 5.1%, 1/15/2042	(d)(g)	Retailers	179	145	154
Macy's Retail Holdings, Inc., 4.3%, 2/15/2043	(d)(g)	Retailers	17	12	13
Mallinckrodt International Finance SA/Mallinckrodt CB LLC, 5.5%, 4/15/2025	(d)(f)	Pharmaceuticals	69	56	50
MPH Acquisition Holdings LLC, 7.1%, 6/1/2024	(d)(f)(g)	Healthcare-Services	30	30	30
Natural Resource Partners LP/NRP Finance Corp., 9.1%, 6/30/2025	(d)(f)	Coal	182	182	189
Natural Resource Partners LP/NRP Finance Corp., 10.5%, 3/15/2022	(d)	Metals and Mining	76	80	80
Navient Corp., 5.6%, 8/1/2033	(d)	Other Financial	187	150	151
Netflix, Inc., 3.9%, 11/15/2029	(d)(f)	Internet	€100	112	115
Nine Energy Service, Inc., 8.8%, 11/1/2023	(d)(f)(g)	Oil & Gas Services	$198	198	205
Nordstrom, Inc., 5.0%, 1/15/2044	(d)(g)	Retailers	53	47	48
Pacific Gas & Electric Co., 5.8%, 3/1/2037	(d)(h)	Electric	4	4	4
Pacific Gas & Electric Co., 6.4%, 2/15/2038	(d)(h)	Electric	9	9	10
Pacific Gas & Electric Co., 6.3%, 3/1/2039	(d)(g)(h)	Electric	10	10	10
Pacific Gas & Electric Co., 5.4%, 1/15/2040	(d)(h)	Electric	35	35	35
Pacific Gas & Electric Co., 4.6%, 6/15/2043	(d)(h)	Electric	1	1	1

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Pacific Gas & Electric Co., 5.1%, 11/15/2043	(d)(h)	Electric	$ 1	$ 1	$ 1
Parsley Energy LLC/Parsley Finance Corp., 5.6%, 10/15/2027	(d)(f)(g)	Oil & Gas	96	88	99
Polaris Intermediate Corp., 8.5%, 12/1/2022	(d)(f)(g)	Healthcare	41	40	41
Provincia de Buenos Aires/Argentina, 4.0%, 5/15/2035	(d)	Provincial	170	103	94
Puerto Rico Commonwealth Aqueduct & Sewer Auth., 6.2%, 7/1/2038	(d)(g)	Municipal	10	9	10
Puerto Rico Commonwealth Aqueduct & Sewer Auth., 6.0%, 7/1/2047	(d)	Municipal	25	25	25
Puerto Rico Electric Power Authority, 5.3%, 7/1/2022	(d)(g)(h)	Municipal	10	6	8
Puerto Rico Electric Power Authority, 5.3%, 7/1/2027	(d)(g)(h)(i)	Municipal	145	91	117
Puerto Rico Electric Power Authority, 5.3%, 7/1/2028	(d)(g)(h)	Municipal	5	3	4
Puerto Rico Electric Power Authority, 5.0%, 7/1/2029	(d)(g)(h)	Municipal	130	81	105
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 4.6%, 7/1/2040	(d)(g)(h)(i)	Municipal	221	182	197
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 4.6%, 7/1/2040	(d)(g)(h)(i)	Municipal	27	23	23
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 0.0%, 7/1/2046	(d)(g)(j)	Municipal	891	173	207
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 0.0%, 7/1/2051	(d)(g)(j)	Municipal	966	138	167
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 4.8%, 7/1/2053	(d)(h)(i)	Municipal	44	41	42
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 4.8%, 7/1/2053	(d)(h)(i)	Municipal	5	4	4
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 5.0%, 7/1/2058	(d)(g)(h)	Municipal	94	88	93
Puerto Rico Sales Tax Financing Corp. Sales Tax Rev., 5.0%, 7/1/2058	(d)(g)(h)	Municipal	108	90	95
Quicken Loans, Inc., 5.8%, 5/1/2025	(d)(f)	Other Financial	43	43	44
Quicken Loans, Inc., 5.3%, 1/15/2028	(d)(f)	Other Financial	6	6	6
SemGroup Corp./Rose Rock Finance Corp., 5.6%, 11/15/2023	(d)(g)	Pipelines	320	308	305

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Schedule of Investments (Continued)
As of April 30, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Senior Housing Properties Trust, 4.8%, 2/15/2028	(d)	Real Estate Investment Trusts	$ 35	$ 32	$ 32
SES SA, 5.3%, 4/4/2043	(d)(f)(g)	Telecommunications	35	31	31
Sotera Health Topco, Inc., 8.1%, 11/1/2021	(d)(f)(g)	Healthcare	80	78	80
Southern California Edison Co., 6.3%, 2/1/2022	(d)(k)	Electric	28	28	28
Sprint Capital Corp., 8.8%, 3/15/2032	(d)(g)	Telecommunications	72	78	76
Sprint Corp., 7.9%, 9/15/2023	(d)	Telecommunications	22	23	23
Staples, Inc., 10.8%, 4/15/2027	(d)(f)	Retail	14	14	14
Starfruit Finco BV/Starfruit US Holdco LLC, 8.0%, 10/1/2026	(f)	Chemicals	207	201	213
SunCoke Energy Partners LP/SunCoke Energy Partners Finance Corp., 7.5%, 6/15/2025	(d)(f)(g)	Energy Midstream	117	117	118
Teekay Shuttle Tankers LLC, 7.1%, 8/15/2022	(d)	Transportation Services	200	193	197
Teva Pharmaceutical Finance Netherlands III BV, 3.2%, 10/1/2026	(d)(g)	Pharmaceuticals	122	100	103
Uber Technologies, Inc., 7.5%, 11/1/2023	(d)(f)(g)	Internet	12	12	13
Uber Technologies, Inc., 8.0%, 11/1/2026	(d)(f)(g)	Internet	12	12	13
Verscend Escrow Corp., 9.8%, 8/15/2026	(d)(f)(g)	Commercial Services	124	126	132
Vertiv Group Corp., 9.3%, 10/15/2024	(f)	Machinery-Construction & Mining	450	459	441
Vizient, Inc., 10.4%, 3/1/2024	(d)(f)(g)	Pharmaceuticals	136	147	147
Vodafone Group PLC, 7.0%, 4/4/2079	(d)(k)	Telecommunications	150	150	158
Total Unsecured Bonds				8,449	8,611
Collateralized Loan Obligation (CLO) / Structured Credit—14.4%					
Ares XXXIII CLO Ltd., 8.8%, 12/5/2025	(d)(f)	USD CLO	250	250	250
Ares XXXVII CLO Ltd., 5.2%, 10/15/2030	(d)(f)	USD CLO	250	247	242
Ares XXXVR CLO Ltd., 5.6%, 7/15/2030	(d)(f)	USD CLO	250	250	246
Babson CLO Ltd. 2018-4 AAD, 5.5%, 10/15/2030	(d)(f)	USD CLO	250	250	245

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Schedule of Investments (Continued)
As of April 30, 2019
(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Amortized Cost	Fair Value[(c)]
Black Diamond CLO 2014-1 Ltd., 7.9%, 10/17/2026	(d)	USD CLO	$250	$ 249	$ 245
BlackRock European CLO VII DAC, 2.3%, 10/15/2031	(d)(f)	EUR CLO	€250	285	280
BlueMountain CLO 2015-4 Ltd., 5.5%, 4/20/2030	(d)(f)	USD CLO	$250	242	243
Carlyle Global Market Strategies Euro CLO 2014-2 Ltd., 3.3%, 11/17/2031	(d)	EUR CLO	€100	115	111
Dryden 36 Senior Loan Fund, 6.3%, 4/15/2029	(d)(f)	USD CLO	$250	250	250
Harvest CLO XX DAC, 3.4%, 10/20/2031	(d)	EUR CLO	€100	115	112
Jubilee CLO 2017-XVIII B.V., 3.1%, 1/15/2030	(d)	EUR CLO	100	114	112
Jubilee CLO 2018-21 ACI, 2.5%, 1/15/2032	(d)(f)	EUR CLO	250	285	276
Jubilee CLO 2018-21 AD, 3.6%, 1/15/2032	(d)(f)	EUR CLO	250	285	278
Madison Park Funding XXXI Ltd., 5.6%, 1/23/2031	(d)(f)	USD CLO	$250	250	245
Man GLG US CLO 2018-2 Ltd., 6.1%, 10/15/2028	(d)(f)	USD CLO	250	249	246
OAK Hill European Credit Partners VII DAC, 3.2%, 10/20/2031	(d)	EUR CLO	€100	116	111
OZLM VIII Ltd., 5.7%, 10/17/2029	(d)(f)	USD CLO	$250	250	247
Preferred Term Securities XXI Ltd./ Preferred Term Securities XXI, Inc., 3.0%, 3/22/2038	(d)(f)	USD CDO	112	90	101
Preferred Term Securities XXVI Ltd./ Preferred Term Securities XXVI, Inc., 3.0%, 9/22/2037	(d)(f)	USD CDO	94	75	83
Rockford Tower Europe CLO 2018-1 DAC, 2.5%, 12/20/2031	(d)(f)	EUR CLO	€250	284	277
Sound Point CLO VI-R Ltd., 6.0%, 10/20/2031	(d)(f)	USD CLO	$250	250	248
Tikehau CLO IV B.V., 3.3%, 10/15/2031	(d)	EUR CLO	€100	116	111
Toro European CLO 3 DAC, 3.3%, 4/15/2030	(d)	EUR CLO	100	116	113
Tymon Park CLO DAC, 6.8%, 1/21/2029	(d)	EUR CLO	100	113	107
Total Collateralized Loan Obligation / Structured Credit				4,846	4,779

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Portfolio Company[(a)]	Footnotes	Yield	Number of Shares	Cost[(b)]	Fair Value[(c)]
Short-Term Investments—2.5%					
State Street Institutional Treasury Plus Money Market Fund—Premier Class	(l)	2.36%	$833,302	$ 833	$ 833
Total Short-Term Investments				833	833
TOTAL INVESTMENTS—111.1%				$36,796	36,887
LIABILITIES IN EXCESS OF OTHER ASSETS—(11.1)%	(m)				(3,682)
NET ASSETS—100.0%					$33,205

Investments Sold Short

Portfolio Company[(a)]	Footnotes	Industry	Principal Amount[(b)]	Proceeds	Fair Value[(c)]
U.S. Treasury Sold Short—(1.7)%					
U.S. Treasury Note, 2.6%, 2/15/2029	(d)(i)	Sovereign	$ (11)	$ (11)	$ (11)
U.S. Treasury Note, 2.9%, 5/15/2028	(d)(i)	Sovereign	(42)	(43)	(43)
U.S. Treasury Note, 2.9%, 8/15/2028	(d)(i)	Sovereign	(64)	(64)	(66)
U.S. Treasury Note, 3.0%, 8/15/2048	(d)(i)	Sovereign	(103)	(101)	(104)
U.S. Treasury Note, 2.4%, 5/15/2027	(d)(i)	Sovereign	(341)	(324)	(340)
Total U.S. Treasury Sold Short				(543)	(564)
TOTAL INVESTMENTS SOLD SHORT				$(543)	$(564)

Forward Foreign Currency Exchange Contracts

Counterparty	Contract Settlement Date	Currency to be Received	Value	Currency to be Delivered	Value	Unrealized Appreciation	Unrealized Depreciation
State Street Bank and Trust Company	6/19/2019	USD	167	EUR	148	$ 4	$—
Bank of America, N.A.	6/19/2019	USD	234	EUR	208	5	—
Bank of America, N.A.	6/19/2019	USD	122	EUR	108	3	—
Bank of America, N.A.	6/19/2019	USD	119	EUR	106	2	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	49	EUR	44	1	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	7	EUR	6	—	—
State Street Bank and Trust Company	6/19/2019	USD	856	EUR	760	23	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	355	EUR	315	8	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	479	EUR	425	11	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	185	EUR	165	4	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	184	EUR	163	4	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	364	EUR	323	5	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	170	EUR	151	2	—
Bank of America, N.A.	6/19/2019	USD	20	EUR	18	—	—
JPMorgan Chase Bank, N.A.	6/19/2019	USD	37	EUR	33	—	—
State Street Bank and Trust Company	6/19/2019	USD	54	EUR	48	—	—
JPMorgan Chase Bank, N.A.	5/31/2019	USD	5	RUB	340	—	—

(in thousands, except share amounts)

Counterparty	Contract Settlement Date	Currency to be Received	Value	Currency to be Delivered	Value	Unrealized Appreciation	Unrealized Depreciation
JPMorgan Chase Bank, N.A.	5/31/2019	USD	5	RUB	295	$—	$—
JPMorgan Chase Bank, N.A.	5/31/2019	USD	5	RUB	340	—	—
JPMorgan Chase Bank, N.A.	5/31/2019	USD	4	RUB	290	—	—
JPMorgan Chase Bank, N.A.	5/31/2019	USD	4	RUB	250	—	—
JPMorgan Chase Bank, N.A.	5/31/2019	USD	5	RUB	295	—	—
State Street Bank and Trust Company	6/19/2019	EUR	258	USD	290	—	10
State Street Bank and Trust Company	6/19/2019	EUR	292	USD	329	—	11
State Street Bank and Trust Company	6/19/2019	EUR	174	USD	196	—	5
State Street Bank and Trust Company	6/19/2019	EUR	85	USD	96	—	2
State Street Bank and Trust Company	6/19/2019	EUR	182	USD	205	—	5
State Street Bank and Trust Company	6/19/2019	EUR	183	USD	206	—	5
State Street Bank and Trust Company	6/19/2019	EUR	196	USD	221	—	4
State Street Bank and Trust Company	6/19/2019	EUR	163	USD	183	—	2
State Street Bank and Trust Company	6/19/2019	EUR	21	USD	24	—	—
JPMorgan Chase Bank, N.A.	6/19/2019	EUR	117	USD	132	—	1
JPMorgan Chase Bank, N.A.	6/19/2019	EUR	991	USD	1,116	—	7
State Street Bank and Trust Company	6/19/2019	EUR	80	USD	90	—	1
State Street Bank and Trust Company	6/19/2019	EUR	74	USD	83	—	1
Total Forward Foreign Currency Exchange Contracts						$72	$54

Futures Contracts

Description	Number of Contracts	Position	Expiration Date	Notional Amount	Unrealized Appreciation	Unrealized Depreciation
Interest Rate Futures						
EURO Bund Treasury Note	1	Short	6/6/2019	$100	$—	$—
U.S 10-Year Treasury Note	6	Short	6/19/2019	$600	—	1
Total Interest Rate Futures Contracts					$—	$ 1

See notes to unaudited consolidated financial statements.

(in thousands, except share amounts)

Cross-Currency Swaps

Counterparty	Fund Pays	Fund Receives	Notional Amount of Currency Delivered	Notional Amount of Currency Received	Expiration Date	Periodic Payment Frequency	Fair Value(c)	Unrealized Appreciation	Unrealized Depreciation
JPMorgan Chase Bank N.A.	3 Month EURIBOR plus a spread of (0.1435)	3 Month USD LIBOR	EUR 1,250	USD 1,422	12/3/2023	Quarterly	$21	$21	$—
JPMorgan Chase Bank N.A.	3 Month EURIBOR plus a spread of (0.10375)	3 Month USD LIBOR	EUR 1,094	USD 1,231	3/29/2021	Quarterly	5	5	—
Total Cross-Currency Swaps							$26	$26	$—

Interest Rate Swaps

Counterparty	Fund Pays	Fund Receives	Notional Amount	Expiration Date	Periodic Payment Frequency	Fair Value(c)	Unrealized Appreciation	Unrealized Depreciation
Goldman Sachs & Co. LLC	2.74%	3 Month LIBOR	USD 139	10/18/2049	Semi-Annually	$(1)	$—	$ 1
Goldman Sachs & Co. LLC	2.42%	3 Month LIBOR	USD 1,484	10/18/2021	Semi-Annually	4	4	—
Goldman Sachs & Co. LLC	2.55%	3 Month LIBOR	USD 112	10/16/2029	Semi-Annually	(1)	—	1
Goldman Sachs & Co. LLC	2.73%	3 Month LIBOR	USD 64	11/4/2029	Semi-Annually	—	—	—
Goldman Sachs & Co. LLC	2.32%	3 Month LIBOR	USD 684	11/4/2021	Semi-Annually	—	—	—
JPMorgan Chase Bank N.A.	2.52%	3 Month LIBOR	USD 32	11/2/2029	Semi-Annually	—	—	—
Total Interest Rate Swaps						$ 2	$ 4	$ 2

(a) Security may be an obligation of one or more entities affiliated with the named company.

(b) Denominated in U.S. dollars unless otherwise noted.

(c) Fair value is determined by the board of trustees of FS Multi-Alternative Income Fund (the "Fund"). See Notes 2 and 8 for information on the Fund's policy regarding valuation of investments, fair value hierarchy levels and other significant accounting policies.

(d) Security held in Fund's wholly-owned subsidiary, FS Multi Alternative Credit LLC.

(e) Certain variable rate securities in the Fund's portfolio bear interest at a rate determined by a publicly disclosed base rate plus a basis point spread. As of April 30, 2019, the one-month, two-month and three-month London Interbank Offered Rate ("LIBOR" or "L") was 2.48%, 2.53% and 2.58%, respectively, and the three-month Euro Interbank Offered Rate ("EURIBOR" or "E") was (0.31)%.

(f) Exempt from registration under Rule 144A of the Securities Act of 1933, as amended. Such securities may be deemed liquid by the investment adviser and may be resold, normally to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to $11,859, which represents approximately 35.9% of net assets as of April 30, 2019.

(g) Security or portion thereof is pledged as collateral supporting the amounts outstanding under the prime brokerage facility with BNP Paribas Prime Brokerage International, Ltd. (“BNP”). Securities may be rehypothecated from time to time as permitted under Rule 15c-1(a)(1) promulgated under the Securities Exchange Act of 1934, as amended, subject to terms and conditions governing the prime brokerage facility with BNP. As of April 30, 2019, there were no securities rehypothecated by BNP.

(h) Security is in default.

(i) Security is non-income producing.

(j) Issued with a zero coupon. Income is recognized through the accretion of discount.

(k) Variable rate security. The stated interest rate represents the rate in effect at April 30, 2019.

(l) Rate represents the seven-day yield as of April 30, 2019.

(m) Includes the effect of forward foreign currency exchange contracts, futures contracts, swap contracts and investments sold short.

(n) Position or portion thereof unsettled as of April 30, 2019.

USD—U.S. Dollar

EUR—Euro

RUB—Russian Ruble

CDO—Collateralized Debt Obligation

EURIBOR—Euro Interbank Offered Rate

LIBOR—London Interbank Offered Rate

FS Multi-Alternative Income Fund

Unaudited Consolidated Statement of Assets and Liabilities
(in thousands, except share and per share amounts)

	April 30, 2019
Assets	
Investments, at fair value (amortized cost—$36,796)	$36,887
Foreign currency (cost—$84)	85
Collateral held at broker[(1)]	522
Receivable for investments sold	575
Receivable from Fund shares sold	40
Reimbursement due from adviser[(2)]	196
Interest receivable	324
Tax reclaim receivable	1
Unrealized appreciation on forward foreign currency exchange contracts	72
Unrealized appreciation on swap contracts	30
Swap income receivable	10
Total assets	$38,742
Liabilities	
Financing arrangement payable	$ 3,725
Investments sold short, at fair value (proceeds $543)	564
Unrealized depreciation on forward foreign currency exchange contracts	54
Payable for variation margin on futures contracts	1
Unrealized depreciation on swap contracts	2
Due to custodian	4
Payable for investments purchased	1,005
Payment due to broker	2
Administrative services expense payable	5
Accounting and administrative fees payable	35
Interest expense payable	40
Professional fees payable	66
Trustees' fees payable	2
Interest payable for short sales	5
Shareholder service fee—Class A	0
Shareholder service and distribution fees—Class L	0
Distribution fee—Class M	0
Shareholder service and distribution fees—Class T	0
Other accrued expenses and liabilities	27
Total liabilities	$ 5,537
Net assets	$33,205
Commitments and contingencies ($366)[(3)]	
Composition of net assets	
Common shares, $0.001 par value, unlimited shares authorized	$ 3
Capital in excess of par value	32,338
Accumulated earnings (deficit)	864
Net assets	$33,205

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Statement of Assets and Liabilities (Continued)
(in thousands, except share and per share amounts)

	April 30, 2019
Class A Shares	
Net Assets	$ 21
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.84
Maximum Offering Price Per Share ($12.84 ÷ 94.25% of net asset value per share)	$ 13.62
Class I Shares	
Net Assets	$ 33,121
Shares Outstanding	2,580,413
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.84
Class L Shares	
Net Assets	$ 21
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.83
Maximum Offering Price Per Share ($12.83 ÷ 96.50% of net asset value per share)	$ 13.30
Class M Shares	
Net Assets	$ 21
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.84
Class T Shares	
Net Assets	$ 21
Shares Outstanding	1,600
Net Asset Value Per Share (net assets ÷ shares outstanding)	$ 12.83
Maximum Offering Price Per Share ($12.83 ÷ 96.50% of net asset value per share)	$ 13.30

(1) Represents cash on deposit at broker.

(2) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

(3) See Note 11 for a discussion of the Fund's commitments and contingencies.

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Statement of Operations
(in thousands)

	Six Months Ended April 30, 2019
Investment income	
Interest income	$ 996
Dividend income	126
Other fee income	57
Total investment income	1,179
Operating expenses	
Management fees	296
Administrative services expenses	11
Accounting and administrative fees	113
Interest expense	40
Professional fees	150
Trustees' fees	2
Shareholder service fee—Class A	0
Shareholder service and distribution fees—Class L	0
Distribution fee—Class M	0
Shareholder service and distribution fees—Class T	0
Other general and administrative expenses	50
Total operating expenses	662
Less: Expense reimbursement(1)	(326)
Less: Management fee waiver(1)	(296)
Net operating expenses	40
Net investment income	1,139
Realized and unrealized gain/loss	
Net realized gain (loss) on investments	23
Net realized gain (loss) on forward foreign currency exchange contracts	55
Net realized gain (loss) on swap contracts	(24)
Net realized gain (loss) on futures contracts	(28)
Net realized gain (loss) on foreign currency	10
Net change in unrealized appreciation (depreciation) on investments	236
Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts	(40)
Net change in unrealized appreciation (depreciation) on swap contracts	29
Net change in unrealized appreciation (depreciation) on investments sold short	(21)
Net change in unrealized appreciation (depreciation) on futures contracts	1
Net change in unrealized gain (loss) on foreign currency	(10)
Total net realized gain (loss) and unrealized appreciation (depreciation)	231
Net increase (decrease) in net assets resulting from operations	$1,370

(1) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by FS Multi-Alternative Advisor, LLC, the Fund's investment adviser, of management fees and certain reimbursements to which it was otherwise entitled.

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Statements of Changes in Net Assets
(in thousands)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Operations		
Net investment income	$ 1,139	$ 8
Net realized gain (loss)	36	(21)
Net change in unrealized appreciation (depreciation) on investments	236	(145)
Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts	(40)	58
Net change in unrealized appreciation (depreciation) on swap contracts	29	(1)
Net change in unrealized appreciation (depreciation) on investments sold short	(21)	—
Net change in unrealized appreciation (depreciation) on futures contracts	1	(3)
Net change in unrealized gain (loss) on foreign currency	(10)	10
Net increase (decrease) in net assets resulting from operations	1,370	(94)
Shareholder distributions(1)		
Distributions to shareholders		
Class A	(0)	—
Class I	(412)	—
Class L	(0)	—
Class M	(0)	—
Class T	(0)	—
Net decrease in net assets resulting from shareholder distributions	(412)	—
Capital share transactions(2)		
Net increase in net assets resulting from capital share transactions	841	31,400
Total increase in net assets	1,799	31,306
Net assets at beginning of period	31,406	100
Net assets at end of period	$33,205	$31,406

(1) See Note 5 for a discussion of the sources of distributions paid by the Fund.

(2) See Note 3 for a discussion of the Fund's common share transactions.

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Unaudited Consolidated Statement of Cash Flows
(in thousands)

	Six Months Ended April 30, 2019
Cash flows from operating activities	
Net increase (decrease) in net assets resulting from operations	$ 1,370
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:	
Purchases of investments	(21,818)
Investments in money market fund, net	10,876
Proceeds from sales and repayments of investments	14,131
Proceeds from investments sold short	530
Net realized (gain) loss on investments	(23)
Net change in unrealized (appreciation) depreciation on investments	(236)
Net change in unrealized (appreciation) depreciation on forward foreign currency exchange contracts	40
Net change in unrealized (appreciation) depreciation on investments sold short	21
Net change in unrealized (appreciation) depreciation on swap contracts	(29)
Net change in unrealized (appreciation) depreciation on futures contracts	(1)
Accretion of discount	(57)
(Increase) decrease in collateral held at broker	(473)
(Increase) decrease in receivable for investments sold	(350)
(Increase) decrease in reimbursement due from adviser[1]	(156)
(Increase) decrease in interest receivable	(117)
(Increase) decrease in swap income receivable	(10)
(Increase) decrease in tax reclaims receivable	(1)
Increase (decrease) in due to custodian	4
Increase (decrease) in payable for investments purchased	(8,136)
Increase (decrease) in payments due to broker	2
Increase (decrease) in management fees payable	(54)
Increase (decrease) in administrative services expenses payable	4
Increase (decrease) in accounting and administrative fees payable	32
Increase (decrease) in interest expense payable	40
Increase (decrease) in professional fees payable	29
Increase (decrease) in interest payable for short sales	5
Increase (decrease) in trustees' fees payable	5
Increase (decrease) in other accrued expenses and liabilities	19
Net cash provided by (used in) operating activities	(4,353)
Cash flows from financing activities	
Issuance of common shares	800
Shareholder distributions paid	(411)
Borrowings under financing arrangement[2]	5,995
Repayments under financing arrangement[2]	(2,270)
Net cash provided by (used in) financing activities	4,114
Total increase (decrease) in cash	(239)
Cash and foreign currency at beginning of period	324
Cash and foreign currency at end of period	$ 85
Supplemental disclosure	
Reinvestment of shareholder distributions	$ 1

(1) See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates.

(2) See Note 9 for a discussion of the Fund's financing arrangement.

See notes to unaudited consolidated financial statements.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class A Shares
(in thousands, except share and per share amounts)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]		
Net asset value, beginning of period	$12.46	$12.50
Results of operations		
Net investment income (loss)[2]	0.45	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	0.08	(0.04)
Net increase (decrease) in net assets resulting from operations	0.53	(0.04)
Shareholder Distributions:[3]		
Distributions from net investment income	(0.15)	—
Net decrease in net assets resulting from shareholder distributions	(0.15)	—
Net asset value, end of period	$12.84	$12.46
Shares outstanding, end of period	1,600	1,600
Total return[4][5]	4.26%	(0.32)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 21	$ 20
Ratio of net investment income (loss) to average net assets[6][7]	7.23%	(0.03)%
Ratio of total expenses to average net assets[6]	2.58%	3.68%
Ratio of expense reimbursement/waiver to average net assets[6]	(2.08)%	(1.35)%
Ratio of net expenses to average net assets[6]	0.50%	2.33%
Portfolio turnover rate[5]	42%	2%
Total amount of senior securities outstanding exclusive of treasury securities	$3,725	—
Asset coverage ratio per unit[8]	9.91	—

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the applicable period.

(3) The per share data for net decrease in net assets resulting from shareholder distributions reflects the actual amount of distributions declared per Class A common share during the applicable period.

(4) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a

representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Fund's investment portfolio during the applicable period on a per class basis and do not represent an actual return to shareholders.

(5) Information presented is not annualized.

(6) Average daily net assets is used for this calculation. Data for periods of less than one year is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(7) If the adviser had not waived or reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been 5.15% and (1.38)% for the six months ended April 30, 2019 and for the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, respectively. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by the Fund's investment adviser of management fees and certain reimbursements to which it was otherwise entitled.

(8) Asset coverage per unit is the ratio of the carrying value of the Fund's total consolidated assets available to cover senior securities, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class I Shares
(in thousands, except share and per share amounts)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:(1)		
Net asset value, beginning of period	$ 12.46	$ 12.50
Results of operations		
Net investment income(2)	0.46	0.00
Net realized gain (loss) and unrealized appreciation (depreciation)	0.08	(0.04)
Net increase (decrease) in net assets resulting from operations	0.54	(0.04)
Shareholder Distributions:(3)		
Distributions from net investment income	(0.16)	—
Net decrease in net assets resulting from shareholder distributions	(0.16)	—
Net asset value, end of period	$ 12.84	$ 12.46
Shares outstanding, end of period	2,580,413	2,513,600
Total return(4)(5)	4.39%	(0.32)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 33,121	$ 31,326
Ratio of net investment income to average net assets(6)(7)	7.48%	0.22%
Ratio of total expenses to average net assets(6)	2.33%	3.43%
Ratio of expense reimbursement/waiver to average net assets(6)	(2.08)%	(1.35)%
Ratio of net expenses to average net assets(6)	0.25%	2.08%
Portfolio turnover rate(5)	42%	2%
Total amount of senior securities outstanding exclusive of treasury securities	$ 3,725	—
Asset coverage ratio per unit(8)	9.91	—

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the applicable period.

(3) The per share data for net decrease in net assets resulting from shareholder distributions reflects the actual amount of distributions declared per Class I common share during the applicable period.

(4) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a representation of the Fund's future total return, which may be greater or less than the total return

shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Fund's investment portfolio during the applicable period on a per class basis and do not represent an actual return to shareholders.

(5) Information presented is not annualized.

(6) Average daily net assets is used for this calculation. Data for periods of less than one year is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(7) If the adviser had not waived or reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been 5.40% and (1.13)% for the six months ended April 30, 2019 and for the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, respectively. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by the Fund's investment adviser of management fees and certain reimbursements to which it was otherwise entitled.

(8) Asset coverage per unit is the ratio of the carrying value of the Fund's total consolidated assets available to cover senior securities, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class L Shares
(in thousands, except share and per share amounts)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:(1)		
Net asset value, beginning of period	$12.46	$12.50
Results of operations		
Net investment income (loss)(2)	0.43	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	0.07	(0.04)
Net increase (decrease) in net assets resulting from operations	0.50	(0.04)
Shareholder Distributions:(3)		
Distributions from net investment income	(0.13)	—
Net decrease in net assets resulting from shareholder distributions	(0.13)	—
Net asset value, end of period	$12.83	$12.46
Shares outstanding, end of period	1,600	1,600
Total return(4)(5)	4.05%	(0.32)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 21	$ 20
Ratio of net investment income (loss) to average net assets(6)(7)	6.98%	(0.28)%
Ratio of total expenses to average net assets(6)	2.83%	3.93%
Ratio of expense reimbursement/waiver to average net assets(6)	(2.08)%	(1.35)%
Ratio of net expenses to average net assets(6)	0.75%	2.58%
Portfolio turnover rate(5)	42%	2%
Total amount of senior securities outstanding exclusive of treasury securities	$3,725	—
Asset coverage ratio per unit(8)	9.91	—

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the applicable period.

(3) The per share data for net decrease in net assets resulting from shareholder distributions reflects the actual amount of distributions declared per Class L common share during the applicable period.

(4) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a

See notes to unaudited consolidated financial statements.

representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Fund's investment portfolio during the applicable period on a per class basis and do not represent an actual return to shareholders.

(5) Information presented is not annualized.

(6) Average daily net assets is used for this calculation. Data for periods of less than one year is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(7) If the adviser had not waived or reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been 4.90% and (1.63)% for the six months ended April 30, 2019 and for the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, respectively. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by the Fund's investment adviser of management fees and certain reimbursements to which it was otherwise entitled.

(8) Asset coverage per unit is the ratio of the carrying value of the Fund's total consolidated assets available to cover senior securities, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class M Shares
(in thousands, except share and per share amounts)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]		
Net asset value, beginning of period	$12.46	$12.50
Results of operations		
Net investment income (loss)[2]	0.45	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	0.08	(0.04)
Net increase (decrease) in net assets resulting from operations	0.53	(0.04)
Shareholder Distributions:[3]		
Distributions from net investment income	(0.15)	—
Net decrease in net assets resulting from shareholder distributions	(0.15)	—
Net asset value, end of period	$12.84	$12.46
Shares outstanding, end of period	1,600	1,600
Total return[4][5]	4.26%	(0.32)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 21	$ 20
Ratio of net investment income (loss) to average net assets[6][7]	7.23%	(0.03)%
Ratio of total expenses to average net assets[6]	2.58%	3.68%
Ratio of expense reimbursement/waiver to average net assets[6]	(2.08)%	(1.35)%
Ratio of net expenses to average net assets[6]	0.50%	2.33%
Portfolio turnover rate[5]	42%	2%
Total amount of senior securities outstanding exclusive of treasury securities	$3,725	—
Asset coverage ratio per unit[8]	9.91	—

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the applicable period.

(3) The per share data for net decrease in net assets resulting from shareholder distributions reflects the actual amount of distributions declared per Class M common share during the applicable period.

(4) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a

See notes to unaudited consolidated financial statements.

representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Fund's investment portfolio during the applicable period on a per class basis and do not represent an actual return to shareholders.

(5) Information presented is not annualized.

(6) Average daily net assets is used for this calculation. Data for periods of less than one year is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(7) If the adviser had not waived or reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been 5.15% and (1.38)% for the six months ended April 30, 2019 and for the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, respectively. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by the Fund's investment adviser of management fees and certain reimbursements to which it was otherwise entitled.

(8) Asset coverage per unit is the ratio of the carrying value of the Fund's total consolidated assets available to cover senior securities, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

FS Multi-Alternative Income Fund

Consolidated Financial Highlights—Class T Shares
(in thousands, except share and per share amounts)

	Six Months Ended April 30, 2019 (Unaudited)	Period from September 27, 2018 (Commencement of Operations) through October 31, 2018
Per Share Data:[1]		
Net asset value, beginning of period	$12.46	$12.50
Results of operations		
Net investment income (loss)[2]	0.43	(0.00)
Net realized gain (loss) and unrealized appreciation (depreciation)	0.07	(0.04)
Net increase (decrease) in net assets resulting from operations	0.50	(0.04)
Shareholder Distributions:[3]		
Distributions from net investment income	(0.13)	—
Net decrease in net assets resulting from shareholder distributions	(0.13)	—
Net asset value, end of period	$12.83	$12.46
Shares outstanding, end of period	1,600	1,600
Total return[4][5]	4.05%	(0.32)%
Ratio/Supplemental Data:		
Net assets, end of period	$ 21	$ 20
Ratio of net investment income (loss) to average net assets[6][7]	6.98%	(0.28)%
Ratio of total expenses to average net assets[6]	2.83%	3.93%
Ratio of expense reimbursement/waiver to average net assets[6]	(2.08)%	(1.35)%
Ratio of net expenses to average net assets[6]	0.75%	2.58%
Portfolio turnover rate[5]	42%	2%
Total amount of senior securities outstanding exclusive of treasury securities	$3,725	—
Asset coverage ratio per unit[8]	9.91	—

(1) Per share data may be rounded in order to compute the ending net asset value per share.

(2) The per share data was derived by using the average number of common shares outstanding during the applicable period.

(3) The per share data for net decrease in net assets resulting from shareholder distributions reflects the actual amount of distributions declared per Class T common share during the applicable period.

(4) The total return is historical and is calculated by determining the percentage change in net asset value, assuming the reinvestment of all distributions in additional common shares of the same class of the Fund at such class' net asset value per share in accordance with the Fund's distribution reinvestment plan. The total return does not consider the effect of any selling commissions or charges that may be incurred in connection with the sale of the Fund's common shares. The historical calculation of total return in the table should not be considered a

representation of the Fund's future total return, which may be greater or less than the total return shown in the table due to a number of factors, including, among others, the Fund's ability or inability to make investments that meet its investment criteria, the interest rates payable on the debt securities the Fund acquires, the level of the Fund's expenses, the amount of the expense limitation, if any, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which the Fund encounters competition in its markets and general economic conditions. As a result of these and other factors, results for any previous period should not be relied upon as being indicative of performance in future periods. The total return calculations set forth above represent the total return on the Fund's investment portfolio during the applicable period on a per class basis and do not represent an actual return to shareholders.

(5) Information presented is not annualized.

(6) Average daily net assets is used for this calculation. Data for periods of less than one year is annualized. Ratios do not reflect the Fund's proportionate share of income and expenses from private real estate funds.

(7) If the adviser had not waived or reimbursed certain expenses, the ratio of net investment income (loss) to average net assets would have been 4.90% and (1.63)% for the six months ended April 30, 2019 and for the period from September 27, 2018 (Commencement of Operations) through October 31, 2018, respectively. See Note 4 for a discussion of reimbursements payable to the Fund by its investment adviser and affiliates and a discussion of the waiver by the Fund's investment adviser of management fees and certain reimbursements to which it was otherwise entitled.

(8) Asset coverage per unit is the ratio of the carrying value of the Fund's total consolidated assets available to cover senior securities, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness.

Note 1. Principal Business and Organization

FS Multi-Alternative Income Fund (the "Fund") was formed as a Delaware statutory trust under the Delaware Statutory Trust Act on April 9, 2018 and commenced investment operations on September 27, 2018. Prior to commencing investment operations, the Fund had no operations except for matters relating to its organization and registration as a non-diversified, closed-end management investment company.

The Fund is a continuously offered, non-diversified, closed-end management investment company that operates as an interval fund pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended (the "1940 Act"). As of the date of this report, the Fund has not been declared effective under the Securities Act of 1933, as amended, and the Fund's common shares of beneficial interest are not publicly offered. The Fund intends to offer five classes of shares of beneficial interest—Class A Shares, Class I Shares, Class L Shares, Class M Shares and Class T Shares (as defined below), which are substantially the same except that each class of shares has different sales charges and expenses. The Fund has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, thereafter, as a regulated investment company ("RIC"), as defined under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As of April 30, 2019, the Fund had three wholly-owned subsidiaries, FS Multi Private Credit LLC, FS Multi Alternative Credit LLC and FS Multi Real Estate LLC, through which it may hold interests in certain portfolio companies. The unaudited financial statements include both the Fund's accounts and the accounts of its wholly-owned subsidiaries as of April 30, 2019.

The Fund's investment objective is to provide attractive total returns, consisting primarily of current income. The Fund seeks to achieve its investment objective by investing in a diversified portfolio of alternative income strategies.

The investment adviser to the Fund, FS Multi-Alternative Advisor, LLC ("FS Multi-Alternative Advisor"), oversees the management of the Fund's activities and is responsible for developing investment guidelines with the Sub-Advisers (as defined below) and overseeing investment decisions for the Fund's portfolio by using a multi-manager, multi-strategy approach.

The Fund currently focuses on three strategies to achieve its investment objective: Real Estate, Private Credit and Multi-Sector Credit. The portfolio primarily consists of a range of secured and unsecured debt obligations (which may be syndicated or directly originated), structured credit, asset backed securities and real estate-related investments comprised primarily of private and public institutional real estate equity and debt funds.

FS Multi-Alternative Advisor has engaged as investment sub-advisers to the Fund: GoldenTree Asset Management Credit Advisor LLC (the "GoldenTree Sub-Adviser"), a wholly owned subsidiary of GoldenTree Asset Management LP ("GoldenTree"), with respect to a broad range of multi-sector credit investments, KKR Credit Advisors (US) LLC ("KKR Credit") with respect to private middle-market debt and equity investments and StepStone Group Real Estate LP ("StepStone") with respect to real estate-related assets (collectively, the "Sub-Advisers").

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Fund is considered an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies under Accounting Standards Codification Topic 946, *Financial Services—Investment Companies*. The Fund has evaluated the impact of subsequent events through the date the consolidated financial statements were issued.

Note 2. Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of the Fund's unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Many of the amounts have been rounded and all amounts are in thousands, except share and per share amounts.

Cash and Cash Equivalents: The Fund considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Fund invests its cash in an institutional money market fund, which is stated at fair value. The Fund's uninvested cash is maintained with a high credit quality financial institution.

Valuation of Portfolio Investments: The Fund determines the net asset value ("NAV") of its common shares on each day that the New York Stock Exchange ("NYSE") is open for business as of the close of the regular trading session. Each Class A share of beneficial interest ("Class A Share"), Class L share of beneficial interest ("Class L Share") and Class T share of beneficial interest ("Class T Share") will be offered at NAV plus the applicable sales load, while each Class I share of beneficial interest ("Class I Share") and Class M share of beneficial interest ("Class M Share") will be offered at NAV. The Fund calculates NAV per share on a class-specific basis. The NAV of a class of shares depends on the number of shares of the applicable class outstanding at the time the NAV is determined. As such, the NAV of each class of shares may vary if the Fund sells different amounts of shares per class, among other things. The Fund's assets and liabilities are valued in accordance with the principles set forth below.

FS Multi-Alternative Advisor values the Fund's assets in good faith pursuant to the Fund's valuation policy and consistently applied valuation process, which was developed by the audit committee of the Fund's board of trustees (the "Board") and approved by the Board. Portfolio securities and other assets for which market quotes are readily available are valued at market value. In circumstances where market quotes are not readily available, the Board has adopted methods for determining the fair value of such securities and other assets, and has delegated the responsibility for applying the valuation methods to FS Multi-Alternative Advisor. On a quarterly basis, the Board reviews the valuation determinations made with respect to the Fund's investments during the preceding quarter and evaluates whether such determinations were made in a manner consistent with the Fund's valuation process.

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Fund expects that its portfolio will primarily consist of a range of secured and unsecured debt obligations (which may be syndicated or directly originated), structured credit, asset backed securities and real estate-related investments that are comprised primarily of private and public institutional real estate equity and debt funds.

Note 2. Summary of Significant Accounting Policies (Continued)

For purposes of calculating NAV, the Fund uses the following valuation methods:

- The market value of each security listed or traded on a recognized securities exchange or automated quotation system (“Exchange-Traded Security”) is the last reported sale price at the relevant valuation date on the composite tape or on the principal exchange on which such security is traded.
- If no sale is reported for an Exchange-Traded Security on the valuation date or if a security is traded on a privately negotiated OTC secondary market for institutional investors for which indicative dealer quotes are available (“OTC Security”), the Fund values such investments using quotations obtained from an approved independent third-party pricing service, which provides prevailing bid and ask prices that are screened for validity by the service from dealers on the valuation date. If a quoted price obtained from such service is deemed by FS Multi-Alternative Advisor to be unreliable (and therefore, not readily available), FS Multi-Alternative Advisor may recommend that the investment be fair valued by some other means, including, but not limited to, a valuation provided by an approved independent third-party valuation firm. For investments for which an approved independent third-party pricing service is unable to obtain quoted prices, the Fund will obtain bid and ask prices directly from dealers who make a market in such securities. In all such cases, investments are valued at the mid-point of the prevailing bid and ask prices obtained from such sources unless there is a compelling reason to use some other value within the bid-ask range and the justification is documented and retained by FS Multi-Alternative Advisor’s management team.
- To the extent that the Fund holds investments for which no active secondary market exists and, therefore, no bid and ask prices can be readily obtained, the Fund will value such investments at fair value as determined in good faith by FS Multi-Alternative Advisor, under supervision of the Board, in accordance with the Fund’s valuation policy and pursuant to authority delegated by the Board. In making such determination, it is expected that FS Multi-Alternative Advisor, under supervision of the Board, may rely upon valuations obtained from an approved independent third-party valuation service, except for private real estate funds, which are valued at estimated NAV. With respect to these investments for which market quotations are not readily available (excluding private real estate funds), the Fund will undertake a multi-step fair valuation process each quarter, as described below:
    - Weekly and as of each quarter end, FS Multi-Alternative Advisor’s management team will review and document preliminary valuations for each investment, which valuations may be obtained from an approved independent third-party valuation service, if applicable;
    - Quarterly, FS Multi-Alternative Advisor’s management team will provide the audit committee of the Board with preliminary valuations for each investment;
    - The preliminary valuations will then be presented to and discussed with the audit committee of the Board;
    - The audit committee of the Board will review the preliminary valuations and FS Multi-Alternative Advisor’s management team, together with any approved independent third-party valuation service, if applicable, will respond to and supplement the preliminary valuations to reflect any comments provided by the audit committee of the Board;

Note 2. Summary of Significant Accounting Policies (Continued)

    - Following its review, the audit committee of the Board will approve the fair valuation of the Fund's investments and will recommend that the Board similarly approve the fair valuation of the Fund's investments; and
    - The Board will discuss the valuation of the Fund's investments and will determine the fair value of each such investment in the portfolio in good faith based on various statistical and other factors, including the input and recommendation of FS Multi-Alternative Advisor, the audit committee of the Board and any approved independent third-party valuation service, if applicable.
- With respect to the Fund's investment in private real estate funds:
    - StepStone makes investment recommendations to FS Multi-Alternative Advisor with respect to private real estate funds, based on StepStone's research and analysis, including due diligence on the underlying private real estate funds' investments managers.
    - Private real estate funds generally calculate and report NAV per share as of each calendar quarter-end. In accordance with ASC Topic 820, the Fund has elected to apply the practical expedient to value its investments in private real estate funds using the NAV per share of each private real estate fund as reported by each fund's investment manager. In situations where the timing of a private real estate fund's NAV reporting does not align to the Fund's reporting periods, the Fund will estimate such fund's NAV per share based on changes in proprietary indices, expected returns based on historical performance, and/or other acceptable methods as approved by the Board and in accordance with ASC Topic 820.
    - StepStone has designed ongoing due diligence processes with respect to monitoring and valuation of the underlying investments of the private real estate funds, which assist FS Multi-Alternative Advisor in assessing the reliability of the NAV per share reported by the private real estate funds each quarter. StepStone communicates to the Fund any changes in the value of underlying investments since the calculation date of the most recent reported NAV and whether there are significant changes in the composition of the underlying investments for each private real estate fund after each reporting period of the private real estate fund. The Fund utilizes this information and considers all relevant factors to determine that the estimated NAV per share used as a practical expedient is appropriate.

Determination of fair value involves subjective judgments and estimates. Accordingly, these notes to the Fund's consolidated financial statements refer to the uncertainty with respect to the possible effect of such valuations and any change in such valuations on the Fund's unaudited consolidated financial statements. In making its determination of fair value, FS Multi-Alternative Advisor, under supervision of the Board, may use any approved independent third-party pricing or valuation services; provided that FS Multi-Alternative Advisor, under supervision of the Board, shall not be required to determine fair value in accordance with the valuation provided by any single source, and FS Multi-Alternative Advisor, under supervision of the Board, shall retain the discretion to use any relevant data, including information obtained by FS Multi-Alternative Advisor, any investment sub-adviser or from any approved independent third-party valuation or pricing service, that FS Multi-Alternative Advisor, under supervision of the Board, deems to be reliable in determining fair value under the circumstances.

Below is a description of factors that FS Multi-Alternative Advisor, any approved independent third-party valuation service and the Board may consider when determining the fair value of the Fund's investments.

Note 2. Summary of Significant Accounting Policies (Continued)

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing yields for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, these factors may be incorporated into valuation models to arrive at fair value. Other factors that may be considered include the borrower's ability to adequately service its debt, the fair market value of the borrower in relation to the face amount of its outstanding debt and the quality of the collateral securing its debt investments.

For convertible debt securities, fair value will generally approximate the fair value of the debt plus the fair value of an option to purchase the underlying security (i.e., the security into which the debt may convert) at the conversion price. To value such an option, a standard option pricing model may be used.

The Fund's equity interests in companies for which no active secondary market exists and, therefore, no bid and ask prices can be readily obtained, will be valued at fair value. FS Multi-Alternative Advisor, under supervision of the Board, in its determination of fair value, may consider various factors, including, but not limited to, multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a company or the Fund's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or non-recurring costs related to an acquisition, recapitalization, restructuring or other related items.

FS Multi-Alternative Advisor, any approved independent third party valuation service and the Board may also consider private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the companies, the acquisition price of such investment or industry practices in determining fair value. FS Multi-Alternative Advisor, any approved independent third party valuation service and the Board may also consider the size and scope of a company and its specific strengths and weaknesses, and may apply discounts or premiums, where and as appropriate, due to the higher (or lower) financial risk and/or the size of the company relative to comparable firms, as well as such other factors as FS Multi-Alternative Advisor, under supervision of the Board, and any approved independent third-party valuation service, if applicable, may consider relevant in assessing fair value.

When the Fund receives warrants or other equity securities at nominal or no additional cost in connection with an investment in a debt security, the cost basis in the investment will be allocated between the debt securities and any such warrants or other equity securities received at the time of origination. Such warrants or other equity securities will subsequently be valued at fair value. Publicly traded securities that carry certain restrictions on sale will typically be valued at a discount from the public market values of the securities, where applicable.

If events materially affecting the price of foreign portfolio securities occur between the time when their price was last determined on such foreign securities exchange or market and the time when the Fund's NAV was last calculated (for example, movements in certain U.S. securities indices which demonstrate strong correlation to movements in certain foreign securities markets), such securities may be valued at their fair value as determined in good faith in accordance with procedures established by the Board. For purposes of calculating NAV, all assets and liabilities initially expressed in foreign currencies will be converted into U.S. dollars at prevailing exchange rates as may be determined in good faith by FS Multi-Alternative Advisor, under supervision of the Board, in consultation with any approved independent third party valuation service, if applicable.

Note 2. Summary of Significant Accounting Policies (Continued)

Forward foreign currency exchange contracts typically will be valued at their quoted daily prices obtained from an independent third party. Futures contracts traded on exchanges typically will be valued daily at their last sale price. Swaps typically will be valued at their prices obtained from an independent third party. The aggregate settlement values and notional amounts of the forward foreign currency exchange contracts, futures contracts and swaps will not be recorded in the consolidated statement of assets and liabilities. Fluctuations in the value of the forward foreign currency exchange contracts, futures contracts and swaps will be recorded in the consolidated statement of assets and liabilities as an asset (liability) and in the consolidated statement of operations as unrealized appreciation (depreciation) until the contracts are closed, when they will be recorded as net realized gain (loss).

The Board is solely responsible for the valuation of the Fund’s portfolio investments at fair value as determined in good faith pursuant to the Fund’s valuation policy and consistently applied valuation process. The Board has delegated day-to-day responsibility for implementing the Fund’s valuation policy to FS Multi-Alternative Advisor’s management team, and has authorized FS Multi-Alternative Advisor’s management team to utilize independent third-party valuation and pricing services that have been approved by the Board. The audit committee of the Board is responsible for overseeing FS Multi-Alternative Advisor’s implementation of the Fund’s valuation process.

Revenue Recognition: Security transactions are accounted for on their trade date. The Fund records interest income on an accrual basis to the extent that it expects to collect such amounts. The Fund records dividend income and distributions on the ex-date. The Fund does not accrue as a receivable interest on loans or dividends on securities if it has reason to doubt its ability to collect such income. The Fund’s policy is to place investments on non-accrual status when there is reasonable doubt the interest income will be collected. The Fund considers many factors relevant to an investment when placing it on or removing it from non-accrual status, including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. If there is reasonable doubt that the Fund will receive any previously accrued interest, then the previously recognized interest income will be written-off. Payments received on non-accrual investments may be recognized as income or applied to principal depending upon the collectability of the remaining principal and interest. Non-accrual investments may be restored to accrual status when principal and interest become current and are likely to remain current based on the Fund’s judgment.

Loan origination fees, original issue discount, and market discount are capitalized and such amounts are amortized as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income. The Fund records prepayment premiums on loans and securities as fee income when it receives such amounts.

Net Realized Gains or Losses, Net Change in Unrealized Appreciation or Depreciation and Net Change in Unrealized Gains or Losses on Foreign Currency: Gains or losses on the sale of investments are calculated by using the specific identification method. The Fund measures realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized gains or losses, when gains or losses are realized. Net change in unrealized gains or losses on foreign currency reflects the change in the value of receivables or accruals during the reporting period due to the impact of foreign currency fluctuations.

Note 2. Summary of Significant Accounting Policies (Continued)

Organization and Offering Costs: Organization costs include, among other things, the cost of formation as a Delaware statutory trust, including the cost of legal services and other fees pertaining to the Fund's organization. Offering costs will primarily include marketing expenses, salaries and other direct expenses of FS Multi-Alternative Advisor's and the Sub-Advisers' personnel and employees of their affiliates while engaged in marketing the Fund's common shares. Franklin Square Holdings, L.P. (which does business as FS Investments), the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, has agreed to assume the Fund's organization and offering costs and will not seek reimbursement of such costs (see Note 4).

Income Taxes: The Fund has elected to be treated for U.S. federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify for and maintain the Fund's qualification as a RIC, the Fund must, among other things, meet certain source-of-income and asset diversification requirements and distribute to its shareholders, for each taxable year, at least 90% of its "investment company taxable income," which is generally the Fund's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. As a RIC, the Fund will not have to pay corporate-level U.S. federal income taxes on any income that it distributes to its shareholders. The Fund intends to make distributions in an amount sufficient to maintain its RIC status each year and to avoid any U.S. federal income taxes on income so distributed. The Fund will also be subject to nondeductible U.S. federal excise taxes if it does not distribute at least 98% of net ordinary income, 98.2% of capital gain net income, if any, and any recognized and undistributed income from prior years for which it paid no U.S. federal income taxes.

Uncertainty in Income Taxes: The Fund evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the unaudited consolidated financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Fund recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense on its unaudited consolidated statement of operations. During the six months ended April 30, 2019, the Fund did not incur any interest or penalties.

The Fund has analyzed the tax positions taken on U.S. federal and state income tax returns for all open tax years, and has concluded that no provision for income tax for uncertain tax positions is required in the Fund's consolidated financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not yet expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Forward Foreign Currency Exchange Contracts: The Fund enters into forward foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to, or hedge exposure away from, foreign currencies (foreign currency exchange rate risk). A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Forward foreign currency exchange contracts, when used by the Fund, help to manage the overall exposure to the currencies in which some of the investments and borrowings held by the Fund are denominated and in some cases, are used to obtain exposure to a particular market. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency.

Futures Contracts: The Fund enters into futures contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to, or hedge exposure away from, changes in interest rates (interest rate risk). A futures contract is an agreement between the Fund and

Note 2. Summary of Significant Accounting Policies (Continued)

a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. Futures contracts, when used by the Fund, help to manage the overall exposure to rising interest rates.

Interest Rate Swaps: The Fund enters into interest rate swaps to help hedge against interest rate risk exposure and to maintain the Fund's ability to generate income at prevailing market rates. An interest rate swap contract is an exchange of interest rates between counterparties. The value of the fixed rate bonds that the Fund holds may decrease if interest rates rise. To help hedge against this risk and to maintain its ability to generate income at prevailing market rates, the Fund enters into interest rate swap agreements. Interest rate swap agreements involve the exchange by the Fund with another party for their respective commitment to pay or receive interest on the notional amount of principal.

Cross-currency Swaps: The Fund enters into cross-currency swaps to gain or mitigate exposure on foreign currency exchange rate risk. Cross-currency swaps are contracts in which interest cash flows are exchanged between two parties based on the notional amounts of two different currencies. Cross-currency swaps, when used by the Fund, help to manage the overall exposure to the currencies in which some of the investments and borrowings held by the Fund are denominated. Cross-currency swaps involve an agreement to exchange notional amounts at a later date at either the same exchange rate, a specified rate or the then-current spot rate.

Distributions: Distributions to the Fund's shareholders will be recorded as of the record date. Subject to the discretion of the Board and applicable legal restrictions, the Fund currently intends to authorize, declare and pay ordinary cash distributions on a quarterly basis. Subject to the Board's discretion and applicable legal restrictions, the Fund from time to time may also pay special interim distributions in the form of cash or shares. At least annually, the Fund intends to authorize and declare special cash distributions of net long-term capital gains, if any.

Recent Accounting Pronouncements: In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2018-13, *Fair Value Measurement* (Topic 820)—*Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, or ASU 2018-13, which introduces new fair value disclosure requirements and eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Fund is currently evaluating the impact of ASU 2018-13 on its consolidated financial statements.

(in thousands, except share and per share amounts)

Note 3. Share Transactions

Below is a summary of transactions with respect to the Fund's common shares during the six months ended April 30, 2019 and the period from September 27, 2018 (Commencement of Operations) through October 31, 2018:

	For the Six Months Ended April 30, 2019 (Unaudited)		Period from September 27, 2018 (Commencement of Operations) through October 31, 2018	
	Shares	Amount	Shares	Amount
Class A Shares				
Proceeds from Issuance of Shares	—	$ —	1,600	$ 20
Class I Shares				
Proceeds from Issuance of Shares	66,708	840	2,505,600	31,320
Reinvestment of Distributions	105	1	—	—
Total Proceeds	66,813	841	2,505,600	31,320
Class L Shares				
Proceeds from Issuance of Shares	—	—	1,600	20
Class M Shares				
Proceeds from Issuance of Shares	—	—	1,600	20
Class T Shares				
Proceeds from Issuance of Shares	—	—	1,600	20
Proceeds to the Fund	**66,813**	**$841**	**2,512,000**	**$31,400**

Sponsor Commitment

Since its formation as a Delaware statutory trust under the Delaware Statutory Trust Act on April 9, 2018 and through June 20, 2019, the Fund sold 534,933 of Class A Shares, 2,572,557 of Class I Shares and 1,600 of each of Class L Shares, Class M Shares and Class T Shares for gross proceeds of $6,820 of Class A Shares, $32,163 of Class I Shares and $20 of each of Class L Shares, Class M Shares and Class T Shares, including shares issued pursuant to its distribution reinvestment plan ("DRP"), to FS Investments (or its affiliates), the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, in private placements completed in September 2018, March 2019 and April 2019 (see Note 4). As of June 20, 2019, the Fund raised total gross proceeds of $39,143 from FS Investments and its affiliates, including $100 of seed capital contributed by Michael C. Forman, a principal of FS Multi-Alternative Advisor, in May 2018 (see Note 4). The Fund has not commenced its continuous public offering.

Share Repurchase Program

The Fund operates as an interval fund under Rule 23c-3 of the 1940 Act and, as such, will provide a limited degree of liquidity to shareholders. As an interval fund, the Fund has adopted a fundamental policy to offer to repurchase at regular intervals a specified percentage of its outstanding shares at the NAV of the applicable class.

Note 3. Share Transactions (Continued)

Once each quarter, the Fund will offer to repurchase at NAV no less than 5% and no more than 25% of the outstanding shares of the Fund, unless such offer is suspended or postponed in accordance with regulatory requirements (as discussed below). The offer to purchase shares is a fundamental policy that may not be changed without the vote of the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act). Shareholders will be notified in writing of each quarterly repurchase offer and the date the repurchase offer ends ("Repurchase Request Deadline"). Shares will be repurchased at the respective NAV per share determined as of the close of regular trading on the NYSE no later than the 14^{th} day after the Repurchase Request Deadline, or the next business day if the 14^{th} day is not a business day.

The Board, or a committee thereof, in its sole discretion, will determine the number of shares for each share class that the Fund will offer to repurchase ("Repurchase Offer Amount") for a given Repurchase Request Deadline. The Repurchase Offer Amount, however, will be no less than 5% and no more than 25% of the total number of shares outstanding on the Repurchase Request Deadline. Typically, the Repurchase Offer Amount will be 5% of the shares outstanding on the Repurchase Request Deadline. Repurchase offers in excess of this amount will be made solely at the discretion of the Board.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2% of the outstanding shares of the Fund on the Repurchase Request Deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2% of the outstanding shares on the Repurchase Request Deadline, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an individual retirement account or other qualified retirement plan.

The Fund may suspend or postpone a repurchase offer only: (a) if making or effecting the repurchase offer would cause the Fund to lose its status as a RIC under the Code; (b) for any period during which the NYSE or any market on which the securities owned by the Fund are principally traded is closed, other than customary weekend and holiday closings, or during which trading in such market is restricted; (c) for any period during which an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or during which it is not reasonably practicable for the Fund fairly to determine the value of its net assets; or (d) for such other periods as the U.S. Securities and Exchange Commission ("SEC") may by order permit for the protection of shareholders of the Fund.

During the six months ended April 30, 2019, the Fund did not conduct any repurchase offers in connection with its share repurchase program.

Distribution Plan

The Fund, with respect to its Class L, Class M and Class T Shares, is authorized under a distribution plan to pay to the Fund's distributor a distribution fee for certain activities relating to the distribution of shares to investors and maintenance of shareholder accounts. These activities include marketing and other activities to support the distribution of the Class L, Class M and Class T Shares. The plan operates in a manner consistent with Rule 12b-1 under the 1940 Act, which regulates the manner in which an open-end investment company may directly or indirectly bear the expenses of distributing its shares. Although the Fund is not an open-end investment company, it has undertaken to comply with the terms of Rule 12b-1 as a condition of an exemptive order under the 1940 Act which permits it to

Note 3. Share Transactions (Continued)

have asset-based distribution fees. Under the distribution plan, the Fund will pay a distribution fee at an annual rate of 0.25% of average daily net assets attributable to the applicable share classes for remittance to financial intermediaries, as compensation for distribution and/or maintenance of shareholder accounts performed by such financial intermediaries for beneficial shareholders of the Fund. For the six months ended April 30, 2019, Class L, Class M and Class T Shares incurred distribution fees of $0, $0, and $0, respectively.

Shareholder Service Expenses

The Fund has adopted a shareholder services plan with respect to its Class A, Class L and Class T Shares under which the Fund may compensate financial industry professionals or firms for providing ongoing services in respect of clients with whom they have distributed shares of the Fund. Such services may include (i) electronic processing of client orders, (ii) electronic fund transfers between clients and the Fund, (iii) account reconciliations with the Fund's transfer agent, (iv) facilitation of electronic delivery to clients of Fund documentation, (v) monitoring client accounts for back-up withholding and any other special tax reporting obligations, (vi) maintenance of books and records with respect to the foregoing, (vii) responding to customer inquiries of a general nature regarding the Fund; (viii) responding to customer inquiries and requests regarding Statements of Additional Information, shareholder reports, notices, proxies and proxy statements, and other Fund documents; (ix) assisting customers in changing account options, account designations and account addresses, and (x) such other information and liaison services as the Fund or FS Multi-Alternative Advisor may reasonably request. Under the shareholder services plan, the Fund, with respect to Class A, Class L and Class T Shares, may incur expenses on an annual basis up to 0.25% of its average daily net assets attributable to Class A, Class L and Class T Shares, respectively. For the six months ended April 30, 2019, Class A, Class L and Class T Shares incurred shareholder service fees of $0, $0, and $0, respectively.

Note 4. Related Party Transactions

Compensation of the Investment Adviser, the Sub-Advisers and their Affiliates

Pursuant to the investment advisory agreement (the "Investment Advisory Agreement"), dated as of September 11, 2018, by and between the Fund and FS Multi-Alternative Advisor, FS Multi-Alternative Advisor is entitled to a management fee in consideration of the advisory services provided by FS Multi-Alternative Advisor to the Fund. FS Multi-Alternative Advisor is registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and is an affiliate of the Fund. The management fee is calculated and payable quarterly in arrears at the annual rate of 1.60% of the Fund's average daily gross assets during such period (the "Management Fee"). The Management Fee for any partial quarter will be appropriately prorated. Pursuant to a letter agreement (the "Letter Agreement") dated as of December 24, 2018, between FS Multi-Alternative Advisor and the Fund, FS Multi-Alternative Advisor agreed, for the fiscal quarter ended January 31, 2019, to waive the Management Fee to which it is entitled under the Investment Advisory Agreement so that the fee received equaled 0.00% of the Fund's average daily gross assets during the fiscal quarter. By subsequent letter agreements dated February 1, 2019 and April 30, 2019, FS Multi-Alternative Advisor has extended the terms of the Letter Agreement through the fiscal quarter ended April 30, 2019 and the fiscal quarter ending July 31, 2019, respectively.

The Fund's investment sub-advisory agreements with each Sub-Adviser (the "Investment Sub-Advisory Agreements") provide that each Sub-Adviser receives a portfolio management fee with respect to the assets that it manages, which is generally paid by FS Multi-Alternative Advisor out of the Management

Note 4. Related Party Transactions (Continued)

Fee. FS Multi-Alternative Advisor has paid, and currently intends to pay, each Sub-Adviser the portfolio management fees to which they are entitled pursuant to the Investment Sub-Advisory Agreements during any period in which FS Multi-Alternative Advisor is waiving the Management Fee pursuant to the Letter Agreement.

Pursuant to an administration agreement (the “Administration Agreement”), dated as of September 12, 2018, by and between the Fund and FS Multi-Alternative Advisor, the Fund reimburses FS Multi-Alternative Advisor and the Sub-Advisers, as applicable, for their respective actual costs incurred in providing administrative services to the Fund, including the allocable portion of the compensation and related expenses of certain personnel of FS Investments and the Sub-Advisers providing administrative services to the Fund on behalf of FS Multi-Alternative Advisor, subject to the limitations set forth in the Administration Agreement and the Expense Limitation Agreement (as defined below). Such services include general ledger accounting, fund accounting, legal services, investor relations and other administrative services. FS Multi-Alternative Advisor also performs, or oversees the performance of, the Fund’s corporate operations and required administrative services, which includes being responsible for the financial records that the Fund is required to maintain and preparing reports to the Fund’s shareholders and reports filed with the SEC. In addition, FS Multi-Alternative Advisor assists the Fund in calculating its NAV, overseeing the preparation and filing of its tax returns and the printing and dissemination of reports to the Fund’s shareholders, and generally overseeing the payment of the Fund’s expenses and the performance of administrative and professional services rendered to the Fund by others. FS Multi-Alternative Advisor is required to allocate the cost of such services to the Fund based on factors such as assets, revenues, time allocations and/or other methods.

The Fund’s Board reviews the methodology employed in determining how the expenses are allocated to the Fund and the proposed allocation of the administrative expenses among the Fund and certain affiliates of FS Multi-Alternative Advisor. The Board then assesses the reasonableness of such reimbursements for expenses allocated to the Fund based on the breadth, depth and quality of such services as compared to the estimated cost to the Fund of obtaining similar services from third-party service providers known to be available. In addition, the Board considers whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Fund’s Board, among other things, compares the total amount paid to FS Multi-Alternative Advisor for such services as a percentage of the Fund’s net assets to the same ratios reported by other comparable investment companies. The Fund will not reimburse FS Multi-Alternative Advisor for any services for which it receives a separate fee or for any administrative expenses allocated to a controlling person of FS Multi-Alternative Advisor.

Reimbursements of administrative expenses to FS Multi-Alternative Advisor are subject to the Expense Limitation (defined below), and the Sub-Advisers may defer certain amounts owed to them for administrative expenses during periods in which FS Multi-Alternative Advisor is waiving expenses or making payments pursuant to the Expense Limitation Agreement. Reimbursement of administrative expenses by the Fund is ultimately subject to the limitations contained in the Expense Limitation Agreement.

FS Multi-Alternative Advisor may be reimbursed for the administrative services performed by it on behalf of the Fund. In addition, the Sub-Advisers may be reimbursed for certain operating and administration expenses that they incur on behalf of the Fund (“Sub-Adviser Expenses”), subject to certain limitations. To the extent such expenses are “ordinary operating expenses,” such amounts are included in, and are not in addition to, the Fund’s Expense Limitation (defined below). The reimbursement of administrative expenses is subject to certain limitations, including that (1) such costs are reasonably allocated by FS Multi-Alternative Advisor to the Fund on the basis of assets, revenues,

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (Continued)

time allocations and/or other methods; (2) such reimbursement shall be subject to any expense limitation of the Fund in effect at the time at which such reimbursement is otherwise payable; and (3) FS Multi-Alternative Advisor shall not be entitled to reimbursement for any expenses relating to the salaries and direct expenses of administrative personnel paid by FS Multi-Alternative Advisor (and the Fund shall have no obligation to pay any such expenses) to the extent that certain third-party expenses incurred by the Fund, whether directly or indirectly by FS Multi-Alternative Advisor or the Sub-Advisers, in connection with administering the Fund's business exceed 0.25% of the average net assets attributable to each class of shares.

Pursuant to the Letter Agreement, FS Multi-Alternative Advisor also agreed, for the fiscal quarter ended January 31, 2019, to assume all of the Fund's "ordinary operating expenses" (or to cause its affiliates to assume such expenses). By subsequent letter agreements dated February 1, 2019 and April 30, 2019, FS Multi-Alternative Advisor has extended the terms of the Letter Agreement through the fiscal quarter ended April 30, 2019 and the fiscal quarter ending July 31, 2019, respectively.

The following table describes the fees and expenses accrued under the Investment Advisory Agreement and the Administration Agreement during the six months ended April 30, 2019:

Related Party	Source Agreement	Description	Amount
FS Multi-Alternative Advisor . .	Investment Advisory Agreement	Management Fee(1)	—
FS Multi-Alternative Advisor . .	Administration Agreement	Administrative Services Expenses(2)	$11

(1) FS Multi-Alternative Advisor agreed for the fiscal quarters ended January 31, 2019 and April 30, 2019, to waive the entire amount of the Management Fee to which it was entitled under the Investment Advisory Agreement so that the fee received equaled 0.00% of the Fund's average daily gross assets. The Management Fee amount shown in the table above is net of the Management Fee waiver of $296. As of April 30, 2019, no Management Fees were payable to FS Multi-Alternative Advisor.

(2) During the six month ended April 30, 2019, all of the accrued administrative services expenses related to third-party expenses.

Organization and Offering Costs

Organization costs include, among other things, the cost of formation as a Delaware statutory trust, including the cost of legal services and other fees pertaining to the Fund's organization. Offering costs will primarily include marketing expenses, salaries and other direct expenses of FS Multi-Alternative Advisor's and the Sub-Advisers' personnel and employees of their affiliates while engaged in marketing the Shares. FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, has agreed to assume the Fund's organization and offering costs and will not seek reimbursement of such costs.

Capital Contributions by FS Investments

In May 2018, pursuant to a private placement, Michael C. Forman, a principal of FS Multi-Alternative Advisor, contributed $100 to purchase approximately 8,000 Class I common shares at $12.50 per share.

Note 4. Related Party Transactions (Continued)

In September 2018, pursuant to private placements, FS Investments, the Fund's sponsor and an affiliate of FS Multi-Alternative Advisor, purchased $31,320 of Class I Shares and $20 of each of Class A Shares, Class L Shares, Class M Shares and Class T Shares. In March 2019, April 2019 and June 2019, pursuant to private placements, FS Investments (or its affiliates) purchased $800 of Class I Shares, $40 of Class I Shares and $6,800 of Class A Shares, respectively. FS Investments has also agreed to purchase up to $2,400 in additional shares in the future. As of June 20, 2019, individuals and entities affiliated with FS Multi-Alternative Advisor held 3,120,290 Shares valued at approximately $39,775 based on the respective NAV per Share on such date. As a result, FS Investments and its affiliates may own a significant percentage of the Fund's outstanding Shares for the foreseeable future. This ownership will fluctuate as investors subscribe for Shares in the Fund's continuous public offering and any other offering the Fund may determine to conduct in the future, and as the Fund repurchases Shares pursuant to its quarterly repurchase offers. Depending on the size of this ownership at any given point in time, it is expected that FS Investments will, for the foreseeable future, either control the Fund or be in a position to exercise a significant influence on the outcome of any matter put to a vote of shareholders.

Expense Limitation Agreement

Pursuant to the expense limitation agreement (the "Expense Limitation Agreement"), dated as of September 12, 2018, by and between FS Multi-Alternative Advisor and the Fund, FS Multi-Alternative Advisor agreed to pay or waive, on a quarterly basis, the "ordinary operating expenses" (as defined below) of the Fund to the extent that such expenses exceed 0.25% per annum of the Fund's average daily net assets attributable to the applicable class of shares (the "Expense Limitation"). The Expense Limitation may be adjusted for other classes of shares to account for class-specific expenses. In consideration of FS Multi-Alternative Advisor's agreement to limit the Fund's expenses, the Fund has agreed to repay FS Multi-Alternative Advisor in the amount of any Fund expenses paid or waived, subject to the limitations that: (1) the reimbursement for expenses will be made only if payable not more than three years following the time such payment or waiver was made; and (2) the reimbursement may not be made if it would cause the Fund's then-current expense limitation, if any, and the expense limitation that was in effect at the time when FS Multi-Alternative Advisor reimbursed or waived the ordinary operating expenses that are the subject of the repayment, to be exceeded. The Expense Limitation Agreement will continue indefinitely until terminated by the Board on written notice to FS Multi-Alternative Advisor. The Expense Limitation Agreement may not be terminated by FS Multi-Alternative Advisor. For the purposes of the Expense Limitation Agreement, "ordinary operating expenses" for a class of Shares consist of all ordinary expenses of the Fund attributable to such class, including administration fees, transfer agent fees, fees paid to the Fund's trustees, legal expenses relating to the Fund's registration statements (and any amendments or supplements thereto) and other filings with the SEC, administrative services expenses, and related costs associated with legal, regulatory compliance and investor relations, but excluding the following: (a) investment advisory fees, (b) portfolio transaction and other investment-related costs (including brokerage commissions, dealer and underwriter spreads, commitment fees on leverage facilities, prime broker fees and expenses, and dividend expenses related to short sales), (c) interest expense and other financing costs, (d) taxes, (e) distribution or shareholder servicing fees and (f) extraordinary expenses, as described in the Expense Limitation Agreement. As described above, to the extent that any Sub-Adviser Expenses are "ordinary operating expenses," such amounts are included in, and are not in addition to, the Expense Limitation.

(in thousands, except share and per share amounts)

Note 4. Related Party Transactions (Continued)

Pursuant to the Letter Agreement, FS Multi-Alternative Advisor has agreed for the fiscal quarters ending January 31, 2019, April 30, 2019 and July 31, 2019 to, among other things, assume all of the Fund's "ordinary operating expenses" (as defined above) (or to cause its affiliates to assume such expenses).

The specific amount of expenses waivable and/or payable by FS Multi-Alternative Advisor pursuant to the Expense Limitation Agreement, if any, is determined at the end of each fiscal quarter. The conditional obligation of the Fund to reimburse FS Multi-Alternative Advisor pursuant to the terms of the Expense Limitation Agreement shall survive the termination of such agreement for any reason.

During the six months ended April 30, 2019, the Fund accrued $326 of expense reimbursements that FS Investments has agreed to pay. Such amount may be subject to conditional reimbursement as described above.

Note 5. Distributions

During the six months ended April 30, 2019, the Fund declared and paid gross distributions in the amount of $0.1640625 (as adjusted for the applicable share class expenses) per share in the total amount of $412. The timing and amount of any future distributions to shareholders are subject to applicable legal restrictions and the sole discretion of the Board.

Shareholders automatically participate in the DRP, unless and until an election is made to withdraw from the plan on behalf of such participating shareholder. Under the DRP, the Fund's cash distributions to shareholders are reinvested in full and fractional shares of the same class of shares of the Fund. To the extent that shareholders reinvest their cash distributions, the Fund will use the proceeds to purchase additional common shares of the Fund. As such, a portion of the cash distributions paid by the Fund may be reinvested in additional common shares of the Fund.

The following table reflects the sources of distributions on a tax basis that the Fund paid on its common shares during the six months ended April 30, 2019:

	Six Months Ended April 30, 2019 (Unaudited)	
Source of Distribution	**Distribution Amount**	**Percentage**
Net investment income[1]	$412	100%
Short-term capital gains proceeds from the sale of assets	—	—
Return of capital	—	—
Total	$412	100%

(1) The Fund's net investment income on a tax basis for the six months ended April 30, 2019 was $1,187. The determination of the tax attributes of the Fund's distributions is made annually as of the end of the calendar year based upon the Fund's taxable income for the full year and distributions paid for the full year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of the Fund's distributions for a full year. The actual tax characteristics of distributions to shareholders are reported to shareholders annually on Form 1099-DIV.

(in thousands, except share and per share amounts)

Note 5. Distributions (Continued)

As of April 30, 2019, the components of accumulated earnings (loss) on a tax basis were as follows:

Distributable ordinary income	$799
Accumulated capital losses[(1)]	(16)
Net unrealized appreciation (depreciation)	81
Total	$864

(1) Net capital losses may be carried forward indefinitely, and their character is retained as short-term or long-term. As of April 30, 2019, the Fund had short-term and long-term capital loss carryforwards available to offset future realized capital gains of $11 and $5, respectively.

The aggregate cost of the Fund's investments for U.S. federal income tax purposes totaled $36,796 as of April 30, 2019. Aggregate net unrealized appreciation (depreciation) on investments on a tax basis was $91, which was comprised of gross unrealized appreciation of $606 and gross unrealized depreciation of $515, as of April 30, 2019.

Note 6. Financial Instruments

The Fund trades in financial instruments with off-balance sheet risk in the normal course of its investing activities. These financial instruments may include forward foreign currency exchange contracts, futures contracts, swap contracts and written options, among others, and involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

The Fund is subject to foreign currency exchange rate risk and interest rate risk in the normal course of pursuing its investment objectives. The Fund enters into forward foreign currency exchange contracts and cross-currency swaps to gain or reduce exposure to foreign currencies and futures contracts and/or interest rate swaps to gain or reduce exposure to fluctuations in interest rates.

A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. These contracts help to manage the overall exposure to the currencies in which some of the investments and borrowings held by the Fund are denominated and in some cases, are used to obtain exposure to a particular market.

Each forward foreign currency exchange contract is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the consolidated statement of assets and liabilities. When a contract is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the value at the time it was opened and the value at the time it was closed. Non-deliverable forward foreign currency exchange contracts are settled with the counterparty in cash without the delivery of foreign currency. The use of forward foreign currency exchange contracts contains the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies and the risk that counterparties are unable to fulfill their obligations under the contracts. The Fund mitigates its counterparty risk by entering into forward foreign currency exchange contracts only with a diverse group of prequalified counterparties, monitoring their financial strength, entering into master netting arrangements with its counterparties, and requiring its counterparties to transfer collateral as security for their performance.

Note 6. Financial Instruments (Continued)

Cross-currency swaps are contracts in which cash flows are exchanged between two parties based on the notional amounts of two different currencies. The notional amounts are typically determined based on the spot exchange rates at the inception of the trade. Cross-currency swaps involve an agreement to exchange notional amounts at a later date at either the same exchange rate, a specified rate or the then-current spot rate. Periodic payments are made between the parties based on benchmark rates plus a spread, if applicable, in the two currencies.

Each cross-currency swap is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the statement of assets and liabilities. When a swap is closed, a realized gain or loss is recorded in the statement of operations equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of cross-currency swaps contains the risk that the value of a cross-currency swap changes unfavorably due to movements in the value of the referenced foreign currencies, as well as the risk that the counterparty to the swap will default on its contractual delivery obligations.

A futures contract is an agreement between the Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and on a specified date. The Fund invests in futures contracts to hedge the Fund’s existing portfolio securities against fluctuations in value caused by changes in interest rates or market conditions; as a cash management tool; to hedge interest rate risks associated with the Fund’s investments; to facilitate investments in portfolio securities; and to reduce cost. In addition, the Fund takes long or short positions in futures to seek to stabilize overall portfolio volatility and to hedge overall market risk.

Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract’s size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Cash deposited as initial margin receivable is shown as collateral held at the broker in the consolidated statement of assets and liabilities. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in market value of the contract (“variation margin”). Variation margin is recorded as receivable (or payable) for variation margin on open futures in the consolidated statement of assets and liabilities. When the contract is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the notional amount of the contract at the time it was opened and the notional amount at the time it was closed. Risks of entering into futures contracts include interest rate risk and the possibility of an illiquid secondary market for these instruments. When investing in futures, there is reduced counterparty credit risk to the Fund because futures are exchange-traded and the exchange’s clearinghouse, as counterparty to all exchange-traded futures, guarantees against default.

An interest rate swap contract is an exchange of interest rates between counterparties. An interest rate swap generally involves one party making payments based on a fixed interest rate in return for payments from a counterparty based on a variable or floating interest rate. The Fund may enter into either side of such a swap contract. Interest rate swaps are used to adjust the Fund’s sensitivity to interest rates or to hedge against changes in interest rates.

Each interest rate swap is marked-to-market daily and the change in market value is recorded as unrealized appreciation (depreciation) in the consolidated statement of assets and liabilities. When a swap is closed, a realized gain or loss is recorded in the consolidated statement of operations equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of interest rate swaps contains the risk that the value of an interest rate swap changes unfavorably due to movements in interest rates, as well as the risk that the counterparty to the swap will default on its contractual delivery obligations. Counterparty risk is mitigated for cleared swaps by trading these instruments through a central counterparty.

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

The Fund is subject to credit risk in the normal course of pursuing its investment objectives. The Fund may enter into credit default swap contracts to manage its credit risk, to gain exposure to a credit in which it may otherwise invest or to enhance its returns. The Fund may also purchase and write call and put options in an effort to manage risk and/or generate gains from options premiums.

The fair value of open derivative instruments (which are not considered to be hedging instruments for accounting disclosure purposes) by risk exposure as of April 30, 2019 was as follows:

	Fair Value	
	Asset Derivative	Liability Derivative
Foreign Currency Risk		
Forward foreign currency exchange contracts	$72(1)	$54(2)
Cross-currency swap contracts	$26(3)	—
Interest Rate Risk		
Interest rate swap contracts	$ 4(3)	$ 2(4)
Futures contracts	—	$ 1(5)

The Fund's derivative assets and liabilities at fair value by risk, presented in the table above, are reported on a gross basis on the Fund's unaudited consolidated statement of assets and liabilities, and located as follows:

(1) Unrealized appreciation on forward foreign currency exchange contracts.

(2) Unrealized depreciation on forward foreign currency exchange contracts.

(3) Unrealized appreciation on swap contracts.

(4) Unrealized depreciation on swap contracts.

(5) Payable for variation margin on futures contracts.

The following tables present the Fund's derivative assets and liabilities by counterparty, net of amounts available for offset under a master netting agreement and net of the related collateral received by the Fund for assets or pledged by the Fund for liabilities as of April 30, 2019:

Counterparty	Derivative Assets Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Received(1)	Cash Collateral Received(1)	Net Amount of Derivative Assets(2)
Bank of America, N.A.	$10	—	—	—	$10
Goldman Sachs & Co. LLC	$ 4	$2	—	—	$ 2
JPMorgan Chase Bank, N.A.	$61	$8	—	—	$53
State Street Bank and Trust Company	$27	$4	—	—	$23

(in thousands, except share and per share amounts)

Note 6. Financial Instruments (Continued)

Counterparty	Derivative Liabilities Subject to Master Netting Agreement	Derivatives Available for Offset	Non-cash Collateral Pledged(1)	Cash Collateral Pledged(1)	Net Amount of Derivative Liabilities(3)
Goldman Sachs & Co. LLC	$ 2	$2	—	—	—
JPMorgan Chase Bank, N.A.	$ 8	$8	—	—	—
State Street Bank and Trust Company	$46	$4	—	—	$42

(1) In some instances, the actual amount of the collateral received and/or pledged may be more than the amount shown due to overcollateralization.

(2) Net amount of derivative assets represents the net amount due from the counterparty to the Fund.

(3) Net amount of derivative liabilities represents the net amount due from the Fund to the counterparty.

The effect of derivative instruments (which are not considered to be hedging instruments for accounting disclosure purposes) on the Fund's statement of operations by risk exposure for the six months ended April 30, 2019 was as follows:

	Realized Gain (Loss) on Derivatives Recognized in Income	Net Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income
Foreign Currency Risk		
Forward foreign currency exchange contracts	$ 55(1)	$(40)(2)
Cross-currency swap contracts	$ 32(3)	$ 24(4)
Interest Rate Risk		
Interest rate swap contracts	$(56)(3)	$ 5(4)
Futures contracts	$(28)(5)	$ 1(6)

The Fund's derivative instruments at fair value by risk, presented in the table above, are reported on the Fund's consolidated statement of operations and located as follows:

(1) Net realized gain (loss) on forward foreign currency exchange contracts.

(2) Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts.

(3) Net realized gain (loss) on swap contracts.

(4) Net change in unrealized appreciation (depreciation) on swap contracts.

(5) Net realized gain (loss) on futures contracts.

(6) Net change in unrealized appreciation (depreciation) on futures contracts.

The average notional amounts of forward foreign currency exchange contracts, futures contracts, cross-currency swaps and interest rate swaps outstanding during the six months ended April 30, 2019, which are indicative of the volumes of these derivative types, were $4,640, $695, $4,296 and $556, respectively.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio

The following table summarizes the composition of the Fund's investment portfolio at cost and fair value as of April 30, 2019:

	Amortized Cost[(1)]	Fair Value	Percentage of Portfolio
Real Estate Funds	$ 6,475	$ 6,588	18%
Senior Secured Loans—First Lien	8,778	8,685	24%
Senior Secured Loans—Second Lien	1,800	1,787	5%
Senior Secured Bonds	5,615	5,604	15%
Unsecured Bonds	8,449	8,611	23%
CLO/Structured Credit	4,846	4,779	13%
Short-Term Investments	833	833	2%
Total	$36,796	$36,887	100%
Investments Sold Short	$ (543)	$ (564)	

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

The following is the strategy and liquidity terms of the investments that are measured at estimated NAV per share as a practical expedient. As of April 30, 2019, there were unfunded commitments of $3,700.

Real Estate Funds	Investment Strategy	Fair Value	Redemption Notice Period for Quarterly Redemptions	Redemption Restrictions Terms
Brookfield Premier Real Estate Partners	Open-end core-plus fund that acquires a high-quality, diverse portfolio offering stable and predictable cash flows, targeting Class A office, multifamily, industrial and retail assets across the U.S. but predominantly situated in supply-constrained markets with the potential for long-term value appreciation.	$2,102	No later than 90 calendar days prior to the last day of the calendar quarter	New investors have their capital locked up through two years and a quarter after the date the limited partner's units were issued. No partial redemption request will be permitted if the aggregate NAV of the units to be redeemed would be less than $100 million.
CBRE U.S. Core Partners, LP	Open-end core fund that purchases and operates high-quality, income-producing office, industrial, retail, and multifamily assets in select major U.S. metropolitan markets that exhibit strong growth demographics.	2,087	No later than 60 calendar days prior to the last day of the calendar quarter	No partial redemption request will be permitted if the aggregate NAV of the units to be redeemed would be less than $1 million.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (Continued)

Real Estate Funds	Investment Strategy	Fair Value	Redemption Notice Period for Quarterly Redemptions	Redemption Restrictions Terms
Clarion Lion Properties Fund	Open-end core real estate fund with interests in a diversified portfolio of primarily institutional quality real estate assets and related investments located throughout the U.S. to provide a strong income return with potential for long-term capital appreciation.	2,096	No later than 90 calendar days prior to the last day of the calendar quarter	None.
RREEF Core Plus Industrial Fund	Open-end commingled fund seeking to invest in a geographically-diversified portfolio of industrial real estate across the US. The Fund consists predominantly of large-bay, single tenant, bulk distribution warehouses that provide stable cash flows and predictability, as well as a smaller exposure to smaller-bay, multi-tenant fulfillment properties and ground-up developments that provide value-add optionality and upside.	303	No later than 90 calendar days prior to the last day of the calendar quarter	New investors have their capital locked up through two years and a quarter after the date the limited partner's units were issued. No partial redemption request will be permitted if the aggregate NAV of the units to be redeemed would be less than $100 million.
		$6,588		

In general, under the 1940 Act, the Fund would be presumed to "control" a portfolio company if it owned more than 25% of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an "affiliated person" of a portfolio company if it owned 5% or more of its voting securities.

As of April 30, 2019, the Fund did not "control" any of its portfolio companies and was not an "affiliated person" of any of its portfolio companies, each as defined in the 1940 Act.

(in thousands, except share and per share amounts)

Note 7. Investment Portfolio (Continued)

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of April 30, 2019:

Industry classification	Fair Value	Percentage of Portfolio
Real Estate	$ 6,618	18%
USD CLO	2,707	7%
Media Entertainment	1,957	5%
EUR CLO	1,888	5%
Retailers	1,427	4%
Telecommunications	1,381	4%
Chemicals	1,272	3%
Oil & Gas	1,146	3%
Consumer Cyclical Services	1,113	3%
Municipal	1,097	3%
Technology	1,096	3%
Retail	954	3%
Healthcare	932	3%
Software	859	2%
Energy Midstream	799	2%
Oil & Gas Services	643	2%
Midstream	603	2%
Aerospace/Defense	579	2%
Pharmaceuticals	571	2%
Commercial Services	454	2%
Machinery—Construction & Mining	441	2%
Short-Term Investments	833	2%
Other	7,517	18%
Total	$36,887	100%

Purchases and sales of securities during the six months ended April 30, 2019, other than short-term securities and U.S. government obligations, were $21,818 and $14,131, respectively.

Note 8. Fair Value of Financial Instruments

Under existing accounting guidance, fair value is defined as the price that the Fund would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. This accounting guidance emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the assumptions market participants would use in

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

pricing an asset or liability developed based on the best information available in the circumstances. The Fund classifies the inputs used to measure these fair values into the following hierarchy as defined by current accounting guidance:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets.

Level 3: Inputs that are unobservable for an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of April 30, 2019, the Fund's investments and derivatives were categorized as follows in the fair value hierarchy:

Asset Description	Level 1	Level 2	Level 3	Total
Senior Secured Loans—First Lien	—	$ 8,685	—	$ 8,685
Senior Secured Loans—Second Lien	—	1,787	—	1,787
Senior Secured Bonds	—	5,604	—	5,604
Unsecured Bonds	—	8,611	—	8,611
CLO/Structured Credit	—	4,779	—	4,779
Short-Term Investments	—	833	—	833
Subtotal	—	30,299	—	30,299
Real Estate Funds	—	—	—	6,588
Total Investments	—	30,299	—	36,887
Forward Foreign Currency Exchange Contracts	—	72	—	72
Interest Rate Swaps	—	4	—	4
Cross-Currency Swaps	—	26	—	26
Total Assets	—	$30,401	—	$36,989

Liability Description	Level 1	Level 2	Level 3	Total
Forward Foreign Currency Exchange Contracts	$ —	$ (54)	—	$ (54)
Futures Contracts	(1)	—	—	(1)
Cross-Currency Swaps	—	(2)	—	(2)
Interest Rate Swaps	—	(2)	—	(2)
U.S. Treasury Sold Short	—	(564)	—	(564)
Total Liabilities	$ (1)	$ (622)	—	$ (623)

The Fund's investments consist primarily of debt securities that are traded on a private over-the-counter market for institutional investors. Except as described below, the Fund values its investments daily by using the mid-point of the prevailing bid and ask prices from dealers, which are provided by an independent third-party pricing service approved by the Board and screened for validity by such service. Investments and futures that are traded on an active public market are valued daily at their closing price. Forward foreign currency exchange contracts and swaps are valued at their quoted daily prices obtained from an independent third party. Debt investments where prices from dealers are not available are valued using broker quotes. Debt investments for which broker quotes are not available would be valued by an independent third-party valuation firm approved by the Board, which determines

(in thousands, except share and per share amounts)

Note 8. Fair Value of Financial Instruments (Continued)

the fair value of such investments by considering, among other factors, the borrower's ability to adequately service its debt, prevailing interest rates for like investments, expected cash flows, call features, anticipated prepayments and other relevant terms of the investments. In accordance with ASC 820, private real estate funds are measured at estimated NAV as a practical expedient and are not included in the fair value hierarchy.

The Fund periodically benchmarks the bid and ask prices it receives from the independent third-party pricing service and/or dealers, as applicable, against the actual prices at which it purchases and sells its investments. Based on the results of the benchmark analysis and the experience of the Fund's management in purchasing and selling these investments in other investment funds managed by the sponsor, the Fund believes that these prices are reliable indicators of fair value. The Fund may also use other methods, including the use of an independent third-party valuation service approved by the Board, to determine fair value for securities for which it cannot obtain prevailing bid and ask prices through independent third-party pricing services or independent dealers, or where the Board otherwise determines that the use of such other methods is appropriate. The Fund will periodically benchmark the valuations provided by the independent third-party valuation service against the actual prices at which the Fund purchases and sells its investments. The Fund's audit committee and Board reviewed the valuation determinations made with respect to these investments and determined that they were made in a manner consistent with the Fund's valuation policy.

Note 9. Financing Arrangement

The following table presents summary information with respect to the Fund's financing arrangement as of April 30, 2019:

Arrangement	Type of Arrangement	Rate	Amount Outstanding	Amount Available	Maturity Date
BNP Facility . . .	Revolving Prime Brokerage	L+1.00%	$3,725	$6,246(1)	October 26, 2019(2)

(1) The amount available under the BNP Facility is calculated based on the value of the pledged collateral, rather than BNP Paribas's commitment. As explained below, FS Multi Alternative Credit LLC may borrow amounts in excess of BNP Paribas's commitment, at the discretion of BNP Paribas, to the extent the pledged collateral provides sufficient coverage for additional borrowings.

(2) As described below, the BNP Facility generally is terminable upon 179 days' notice by either party. As of April 30, 2019, neither the Fund nor BNP Paribas had provided notice of its intent to terminate the facility.

BNP Facility

On October 9, 2018, the Fund's wholly owned subsidiary, FS Multi Alternative Credit LLC ("Alternative Credit"), entered into a committed facility arrangement (the "BNP Facility") with BNP Paribas Prime Brokerage International, Ltd. (together with its affiliates "BNP Paribas"). The BNP Facility provides for borrowings on a committed basis up to a maximum amount equal to the average outstanding balance over the past ten business days or, if fewer, the number of business days since closing. The Fund may also borrow additional amounts on an uncommitted basis, at the discretion of BNP Paribas, to the extent the pledged collateral provides sufficient coverage for such additional borrowings. Borrowings are available in U.S. Dollars ("USD"), Canadian Dollars ("CAD"), Euro ("EUR"), British Pounds ("GBP"), Swiss Francs ("CHF"), Australian Dollars ("AUD"), Japanese Yen ("JPY"), Swedish Krona ("SEK"), and Danish Krone ("DKK"). Borrowings under the BNP Facility accrue interest at a rate equal to the London Interbank Offered Rate ("LIBOR") for a one-month interest period plus 1.00% per annum on USD borrowings, the Canadian Dollar Offered Rate ("CDOR") for a one-month interest period plus 1.00%

(in thousands, except share and per share amounts)

Note 9. Financing Arrangement (Continued)

per annum on CAD borrowings, the British Pound Sterling London Interbank Offered Rate (“GBP LIBOR”) for a one-month interest period plus 1.00% per annum on GBP borrowings, the Swiss Franc London Interbank Offered Rate (“CHF LIBOR”) for a one-month interest period plus 1.00% per annum on CHF borrowings, the Bank Bill Swap Reference Rate (“BBSW”) for a one-month interest period plus 1.00% per annum on AUD borrowings, the Japanese Yen London Interbank Offered Rate (“JPY LIBOR”) for a one-month interest period plus 1.00% per annum on JPY borrowings, the Stockholm Interbank Offered Rate (“STIBOR”) for a one-month interest period plus 1.00% per annum on SEK borrowings, or the Copenhagen Interbank Offered Rate (“CIBOR”) for a one-month interest period plus 1.00% per annum on DKK borrowings. Interest is payable monthly in arrears. Alternative Credit may terminate the facility upon 179 days’ notice. Absent a default or facility termination event (or the ratings decline described in the following sentence), BNP Paribas is required to provide Alternative Credit with 179 days’ notice prior to terminating or materially amending the BNP Facility. BNP Paribas has a cancellation right if BNP Paribas’ long-term credit rating declines three or more notches below its highest rating by any of Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services or Fitch IBCA, Inc. during the term of the BNP Facility. Upon any such termination, BNP Paribas is required to pay Alternative Credit a fee equal to 1.00% of the maximum amount of financing available on the termination date.

In connection with the BNP Facility, Alternative Credit has made certain representations and warranties and is required to comply with various covenants and reporting requirements customary for facilities of this type. The BNP Facility agreements contain the following events of default and termination events, among others: (a) the occurrence of a default or similar condition under certain third-party contracts of the Fund or Alternative Credit; (b) any change in BNP Paribas’ interpretation of applicable law that, in the reasonable opinion of counsel to BNP Paribas, has the effect of impeding or prohibiting the BNP Facility; (c) certain events of insolvency or bankruptcy by the Fund or Alternative Credit; (d) specified material reductions in the Fund or Alternative Credit’s NAV; (e) any change in the Fund’s fundamental or material investment policies; and (f) the termination of the Investment Advisory Agreement or if FS Multi-Alternative Advisor otherwise ceases to act as the Fund’s investment adviser and is not immediately replaced by an affiliate or other investment adviser acceptable to BNP Paribas.

The carrying amount outstanding under the BNP Facility approximates its fair value. For the six months ended April 30, 2019, the total interest expense for the BNP Facility was $40.

For the six months ended April 30, 2019, the cash paid for interest expense, average borrowings, effective interest rate and weighted average interest rate for the BNP Facility were as follows:

Cash paid for interest expense[(1)]	—
Average borrowings	$2,600
Effective interest rate on borrowings	3.48%
Weighted average interest rate	3.71%

(1) Interest under the BNP Facility is payable monthly or may be capitalized on the principal balance as additional cash borrowing.

Under the terms of the BNP Facility, BNP Paribas has the ability to borrow a portion of the pledged collateral (collectively, the “rehypothecated securities”), subject to certain limits, in exchange for paying to Alternative Credit a fee equal to 70% of the difference between the fair market rate (as determined by BNP Paribas) and the overnight Fed Funds rate. Alternative Credit may, in its sole discretion for any valid business reason, designate any security within the pledged collateral as ineligible to be a

Note 9. Financing Arrangement (Continued)

rehypothecated security, provided there remain securities eligible to be rehypothecated within the segregated custody account in an amount equal to the outstanding borrowings owed by Alternative Credit to BNP Paribas. The Fund may recall any rehypothecated security at any time and BNP Paribas must return such security or an equivalent security within a commercially reasonable period. In the event BNP Paribas does not return the security, the Fund will have the right to, among other things, apply and set off an amount equal to 100% of the then-current fair market value of such rehypothecated securities against any outstanding borrowings owed to BNP Paribas under the facility. Rehypothecated securities are marked-to-market daily and if the value of all rehypothecated securities exceeds 100% of the outstanding borrowings owed by Alternative Credit under the BNP Facility, BNP Paribas may either reduce the amount of rehypothecated securities to eliminate such excess or deposit into the segregated custody account an amount of cash equal to such excess. Alternative Credit will continue to receive interest and the scheduled repayment of principal balances on rehypothecated securities. For the six months ended April 30, 2019, Alternative Credit did not receive any fees from BNP Paribas for securities that had been rehypothecated pursuant to the BNP Facility. As of April 30, 2019, there were no securities rehypothecated by BNP Paribas.

Note 10. Concentration of Risk

Investing in the Fund involves risks, including, but not limited to, those set forth below. The risks described below are not, and are not intended to be, a complete enumeration or explanation of the risks involved in an investment in the Fund. For a more complete discussion of the risks of investing in the Fund, see the section entitled “Types of Investments and Related Risks” in the Fund’s prospectus and the Fund’s other filings with the SEC.

Credit Risk: The Fund’s debt investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Fund and a reduction in the value of the debt investments experiencing non-payment.

Although the Fund may invest in investments that FS Multi-Alternative Advisor and the Sub-Advisers believe are secured by specific collateral, the value of which may exceed the principal amount of the investments at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the Fund. Moreover, the Fund’s investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, the Fund may not have priority over other creditors as anticipated. The Fund’s right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of more senior creditors. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a portfolio company’s ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Note 10. Concentration of Risk (Continued)

Companies in which the Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or an economic downturn. As a result, companies that the Fund expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

Non-U.S. Securities Risk: Investments in certain securities and other instruments of non-U.S. issuers or borrowers (“non-U.S. securities”), involve factors not typically associated with investing in the United States or other developed countries, including, but not limited to, risks relating to: (i) differences between U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; and less government supervision and regulation; (ii) other differences in law and regulation, including fewer investor protections, less stringent fiduciary duties, less developed bankruptcy laws and difficulty in enforcing contractual obligations; (iii) certain economic and political risks, including potential economic, political or social instability; exchange control regulations; restrictions on foreign investment and repatriation of capital, possibly requiring government approval; expropriation or confiscatory taxation; other government restrictions by the United States or other governments; higher rates of inflation; higher transaction costs; and reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms; and (iv) the possible imposition of local taxes on income and gains recognized with respect to securities and assets. Certain non-U.S. markets may rely heavily on particular industries or non-U.S. capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, organizations, entities and/or individuals, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. International trade barriers or economic sanctions against non-U.S. countries, organizations, entities and/or individuals may adversely affect the Fund’s non-U.S. holdings or exposures. Certain non-U.S. investments may become less liquid in response to social, political or market developments or adverse investor perceptions, or become illiquid after purchase by the Fund, particularly during periods of market turmoil. Certain non-U.S. investments may become illiquid when, for instance, there are few, if any, interested buyers and sellers or when dealers are unwilling to make a market for certain securities. When the Fund holds illiquid investments, its portfolio may be harder to value, especially in changing markets. The risks of investments in emerging markets, including the risks described above, are usually greater than the risks involved in investing in more developed markets. Because non-U.S. securities may trade on days when the Fund’s common shares are not priced, NAV may change at times when common shares cannot be sold.

Foreign Currency Risk: Investments made by the Fund, and the income received by the Fund with respect to such investments, may be denominated in various non-U.S. currencies. However, the books of the Fund are maintained in U.S. dollars. Accordingly, changes in currency values may adversely affect the U.S. dollar value of portfolio investments, interest and other revenue streams received by the Fund, gains and losses realized on the sale of portfolio investments and the amount of distributions, if any, made by the Fund. In addition, the Fund may incur substantial costs in converting investment proceeds from one currency to another. The Fund may enter into derivative transactions designed to reduce such currency risks. Furthermore, the portfolio companies in which the Fund invests may be subject to risks relating to changes in currency values. If a portfolio company suffers adverse consequences as a result of such changes, the Fund may also be adversely affected as a result.

Note 10. Concentration of Risk (Continued)

REIT and Real Estate Risk: Investing in companies that invest in real estate exposes the Fund to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which real estate companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments, and characterized by intense competition and periodic overbuilding. Real estate companies may lack diversification due to ownership of a limited number of properties and concentration in a particular geographic region or property type. Real estate investment trusts ("REITs") are financial vehicles that pool investor capital to purchase or finance real estate. Equity REITs invest primarily in direct ownership or lease of real property, and they derive most of their income from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Investing in equity REITs and other real estate investment vehicles, such as ETFs, index funds, closed-end funds, mutual funds and unregistered investment funds (together with REITs, "Real Estate Investment Vehicles"), involves certain unique risks in addition to those risks associated with investing in the real estate industry in general.

Real Estate Investment Vehicles are typically small or medium market capitalization companies, and they are subject to management fees and other expenses. When the Fund invests in Real Estate Investment Vehicles, it will bear its proportionate share of the costs of the Real Estate Investment Vehicles' operations. Real Estate Investment Vehicles are dependent upon management skill, may not be diversified, and are subject to heavy cash flow dependency and self-liquidation. Real Estate Investment Vehicles also are subject to the possibility of failing to qualify for tax-free pass-through of income. Also, because Real Estate Investment Vehicles typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. In the event of a default by a borrower or lessee, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.

Derivatives Risk: The Fund may use derivative instruments including, in particular, swaps (including, total return swaps), synthetic collateralized loan obligations, reverse repurchase agreements and other similar transactions, in seeking to achieve its investment objective or for other reasons, such as cash management, financing activities or to hedge its positions. Accordingly, these derivatives may be used in limited instances as a form of leverage or to seek to enhance returns, including speculation on changes in credit spreads, interest rates or other characteristics of the market, individual securities or groups of securities. If the Fund invests in a derivative for speculative purposes, the Fund will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the derivative's cost. The use of derivatives may involve substantial leverage. The use of derivatives may subject the Fund to various risks, including counterparty risk, currency risk, leverage risk, liquidity risk, correlation risk, index risk and regulatory risk.

Furthermore, the Fund's ability to successfully use derivatives depends on FS Multi-Alternative Advisor's ability to predict pertinent securities prices, interest rates, currency exchange rates and other economic factors, which cannot be assured. Additionally, segregated liquid assets, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to derivatives are not otherwise available to the Fund for investment purposes.

Rule 144A Securities Risk: The Fund may purchase certain securities eligible for resale to qualified institutional buyers as contemplated by Rule 144A under the Securities Act of 1933 ("Rule 144A Securities"). Rule 144A provides an exemption from the registration requirements of the Securities Act of 1933 for the resale of certain restricted securities to certain qualified institutional buyers. One effect of Rule 144A is that certain restricted securities may be considered liquid, though no assurance can be given that a liquid market for Rule 144A Securities will develop or be maintained. However, where a

Note 10. Concentration of Risk (Continued)

substantial market of qualified institutional buyers has developed for certain unregistered securities purchased by the Fund pursuant to Rule 144A, the Fund intends to treat such securities as liquid securities in accordance with procedures approved by the Board. Because it is not possible to predict with certainty how the market for Rule 144A Securities will develop, the Board directs FS Multi-Alternative Advisor to carefully monitor the Fund's investments in such securities with particular regard to trading activity, availability of reliable price information and other relevant information. To the extent that, for a period of time, qualified institutional buyers cease purchasing restricted securities pursuant to Rule 144A, the Fund's investing in such securities may have the effect of increasing the level of illiquidity in its investment portfolio during such period.

Note 11. Commitments and Contingencies

The Fund enters into contracts that contain a variety of indemnification provisions. The Fund's maximum exposure under these arrangements is unknown; however, the Fund has not had prior claims or losses pursuant to these contracts. Management of FS Multi-Alternative Advisor has reviewed the Fund's existing contracts and expects the risk of loss to the Fund to be remote.

The Fund is not currently subject to any material legal proceedings and, to the Fund's knowledge, no material legal proceedings are threatened against the Fund. From time to time, the Fund may be a party to certain legal proceedings in the ordinary course of business, including proceedings related to the enforcement of the Fund's rights under contracts with its portfolio companies. While the outcome of any legal proceedings cannot be predicted with certainty, to the extent the Fund becomes party to such proceedings, the Fund would assess whether any such proceedings will have a material adverse effect upon its financial condition or results of operations.

See Note 4 for a discussion of the Fund's commitments to FS Multi-Alternative Advisor, the Sub-Advisers and their respective affiliates (including FS Investments).

Note 12. Subsequent Events

Société Générale Facility

On June 17, 2019, the Fund's wholly owned subsidiary, FS Multi Private Credit LLC ("Private Credit"), entered into a revolving credit facility (the "SG Facility"), pursuant to a Credit Agreement with Société Générale as agent and lender. The SG Facility provides for borrowings on a committed basis in an aggregate principal amount up to $10,000, which amount may be increased from time to time upon mutual agreement by Société Générale, Private Credit and the Fund. Advances outstanding under the SG Facility bear interest at a rate equal to three-month LIBOR plus a spread of either (i) during the first nine months after the closing date, if certain minimum asset liquidity requirements are satisfied, 2.15% or (ii) otherwise, 2.25%. Private Credit also pays a commitment fee on undrawn amounts, calculated on a daily basis at 0.25% per annum (so long as at least 80% of the maximum commitment is drawn on such day) or otherwise 0.75% per annum. Interest and commitment fees under the SG Facility are payable quarterly in arrears. Any amounts borrowed under the SG Facility will mature, and all accrued and unpaid interest thereunder will be due and payable, on June 17, 2022.

In connection with the SG Facility, Private Credit has made certain customary representations and warranties and is required to comply with various customary covenants, reporting requirements and other requirements. The SG Facility contains events of default customary for similar financing transactions, including: (i) the failure to make principal, interest or other payments when due after the applicable grace period; (ii) the insolvency or bankruptcy of Private Credit or the Fund; (iii) a "Change of Control" (as defined in the Société Générale Credit Agreement) of Private Credit; and (iv) a "Change

Note 12. Subsequent Events (Continued)

of Management" (as defined in the Société Générale Credit Agreement) of the Fund. In addition, Private Credit is required to maintain a minimum advance rate and a minimum loan to value ratio. The Fund is required to maintain a minimum asset coverage ratio of at least 300%, and the Fund's net asset value may not decline below certain percentage thresholds on a monthly or annual basis. Upon the occurrence and during the continuation of an event of default, Société Générale may declare the outstanding advances and all other obligations under the SG Facility immediately due and payable.

Private Credit's obligations to Société Générale under the SG Facility are secured by a first-priority security interest in substantially all of the assets of Private Credit, including its portfolio of assets. In connection with the SG Facility, the Fund entered into a Guarantee agreement pursuant to which the Fund agreed to guaranty Private Credit's obligations under the SG Facility.

The Fund incurred costs in connection with obtaining the SG Facility, which the Fund has recorded as deferred financing costs on its consolidated balance sheet and amortizes to interest expense over the life of the facility.