Fund commentary

As of 12/31/2020
unless otherwise noted

Class I

FS Long/Short Equity Fund

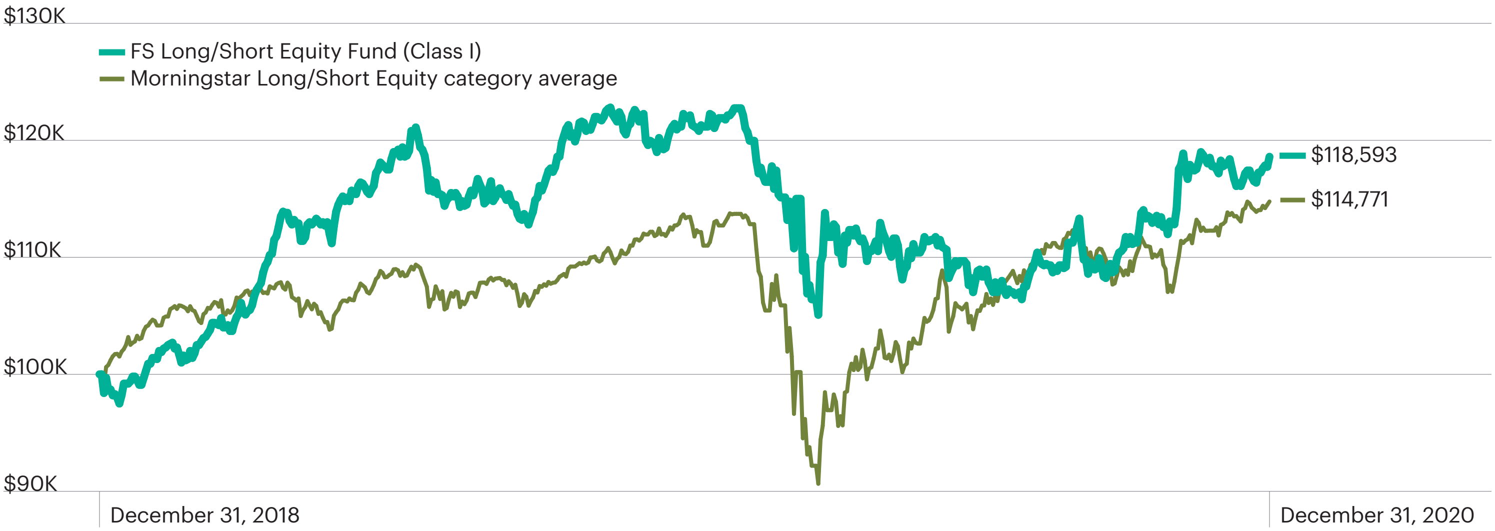
Seeking to generate equity-like returns with downside mitigation

Performance

	QTD	YTD	1 year	Since inception
Class I (inception 12/31/2018)	7.07%	-0.33%	-0.33%	8.90%
				Since 12/31/2018
Morningstar Long/Short Equity category average	7.87%	4.71%	4.71%	8.47%
S&P 500 Index	12.15%	18.40%	18.40%	24.76%

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

Growth of $100,000 (12/31/2018–12/31/2020)



Source: Bloomberg, as of December 31, 2020.

Past performance is not indicative of future results.

Quarterly commentary

The market continued its rally with renewed vigor for much of the fourth quarter, closing an unprecedented year at all-time highs. The S&P 500 returned 12.15% in Q4 and 18.40% for all of 2020—quite a feat given the velocity and magnitude of the sell-off witnessed in Q1.

Rising COVID-19 cases, fresh lockdowns and fading optimism about further stimulus weighed on equities during October, the second straight negative month for the S&P 500. Equities snapped back sharply in November post-election, as the prospect of divided government seemed to be considered a Goldilocks scenario for markets. What began as optimism quickly became euphoria as news of multiple potentially viable COVID-19 vaccines sparked a dramatic rotation into cyclical stocks that persisted for the remainder of the year. Sectors most impacted by the pandemic and associated economic shutdowns were top performers throughout November and December, while trades that had performed well throughout the year (e.g., large-cap over small-cap, growth over value) abruptly reversed course.

FSYIX was up 7.07% in the fourth quarter with volatility of 12.65%, compared to a return of 12.15% for the S&P 500 with volatility of 19.65%.[4] The fund underperformed the Morningstar Long/Short Equity category median by 80 basis points during the quarter.[2] Inception to date, the fund has outperformed the Morningstar Long/Short Equity category median, with less reliance on beta, lower downside capture and lower correlation to the S&P 500 than the category average.

Quarterly commentary (continued)

From a return perspective, the fund's long positions, driven by Novus' proprietary screen, outperformed the S&P 500, returning 16.99% during the quarter. In contrast, strong returns in the short book (the fund was short stocks that rose in value), which was up 37.73% in the quarter, detracted from performance. In normalized markets, companies with poor credit profiles are typically appropriate candidates for short positions, the assumption being that these stocks should go down in value. In the fourth quarter, however, many companies with poor fundamentals rose in value as market optimism ignited speculative market behavior.

Throughout the year, we believe the ultra-low interest rate environment led to increased portfolio concentration in low-rate beneficiaries such as large-cap growth stocks. As a byproduct, many portfolios had extremely high exposures to factors such as momentum and growth. These exposures provided an atypically large tailwind to performance for most of the year. However, in the fourth quarter, markets were characterized by extreme factor volatility and included sharp reversals in both growth and momentum. The fund actively manages its factor risk profile and was less impacted by these violent swings, which served to reduce the fund's volatility versus the market. For full-year 2020, the fund ranks in the top 10% in its category for low volatility, driven in large part by its approach to neutralize unintended factor volatility.

Performance attribution

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

Single name attribution

The fund's security selection contributed 1.49% to performance during the quarter.

The fund's long positions outperformed the broader market, contributing positively to performance, while the short positions also outperformed the S&P 500, detracting from performance. The top long contributor was Pinterest, Inc. The company rallied throughout 2020, consistently beating analysts' estimates and benefiting from a shift to a virtual environment during the pandemic.

The top contributor from the short book was Intercept Pharmaceuticals, whose shares traded lower after the FDA declined to approve one of the company's drugs.

Top contributors

Long	Short
Pinterest, Inc.	Intercept Pharmaceuticals, Inc.
Uber Technologies, Inc.	SmileDirectClub
The Charles Schwab Corp.	Limelight Networks

Top detractors

Long	Short
Salesforce.com, Inc.	FuelCell Energy, Inc.
American Tower Corp.	Arvinas, Inc.
eBay Inc.	Plug Power Inc.

The fund's largest long detractor was Salesforce.com. The stock rose for much of the year as the company has exhibited strong growth throughout the pandemic. However, shares traded lower in December due to concerns about the multiple paid for an announced acquisition.

The top short detractor was FuelCell Energy, a provider of hydrogen fuel cells and other clean energy solutions. ESG stocks rallied after the November election of Joe Biden given the Democrat's pledge to focus on clean energy sources.

The securities identified do not represent all of the securities purchased, sold or recommended. Holdings as of December 31, 2020, are subject to change, and any statement about a company is not an endorsement or recommendation to buy or sell any security. Past performance does not guarantee future results.

Sector exposure

The fund's sector exposure relative to the broader market contributed 2.01% to performance. The fund benefited from an overweight to financials, which was the second highest-performing sector throughout the quarter. Financials benefited from the prospect of rising interest rates amid the cyclical rotation that occurred in November.

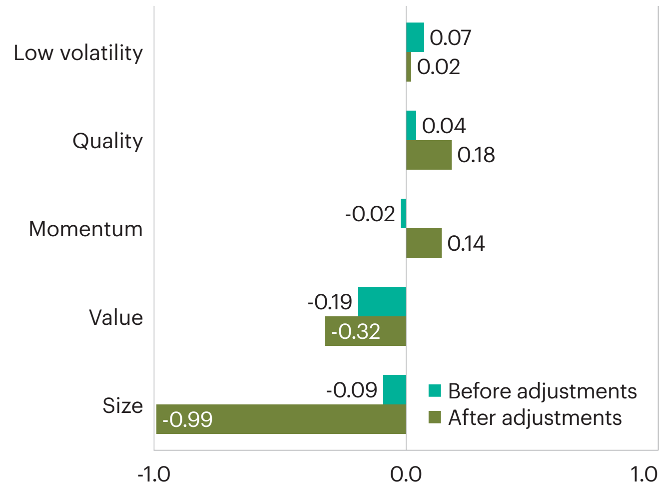
The fund's slight overweight to utilities detracted from performance. The fund was modestly long the sector, which underperformed the broader risk-on market rally as utilities tend to be a more defensive allocation and correlated to bonds.

Factor exposure

Factor risk management is an important component of FS Long/Short Equity Fund's approach to emphasize stock selection, manage volatility and maintain an overall factor profile that should provide a positive tailwind to returns. In the aggregate, the active factor adjustments made were a positive contributor to performance, but the fund's overall net factor exposure detracted -2.48%. The fund actively manages its exposures to ensure a factor-neutral profile. This quarter, the fund reduced its momentum and low volatility exposures while increasing its exposure to the value and size factors to reduce factor biases that result from the long and short positions. This hedging was extremely important in a year when factor volatility reached historic levels, particularly in November after the abrupt market reversal following the COVID-19 vaccine news. For perspective, the momentum factor posted its largest single-day decline on record, a 14-standard-deviation event. Small-caps had their best month ever and continued to outperform in December, and the value factor staged a comeback as the reflation narrative took hold. While the fund's net factor exposure did contribute negatively to performance this quarter, the benefits of actively managing these factors was apparent, as the fund was less impacted by these extreme moves than it would have been without this factor management.

Net factor exposure at 12/31/2020

FSYIX factor exposure before/after factor adjustments



Source: Bloomberg, as of December 31, 2020.

Equity exposure

The fund's exposure to the broader market contributed 6.04% to performance as equities rallied. The fund was positioned with a net exposure of roughly 50% throughout the quarter, which we believe to be an adequate level of beta to participate in markets while maintaining downside mitigation and achieving the fund's goal of generating differentiated returns.

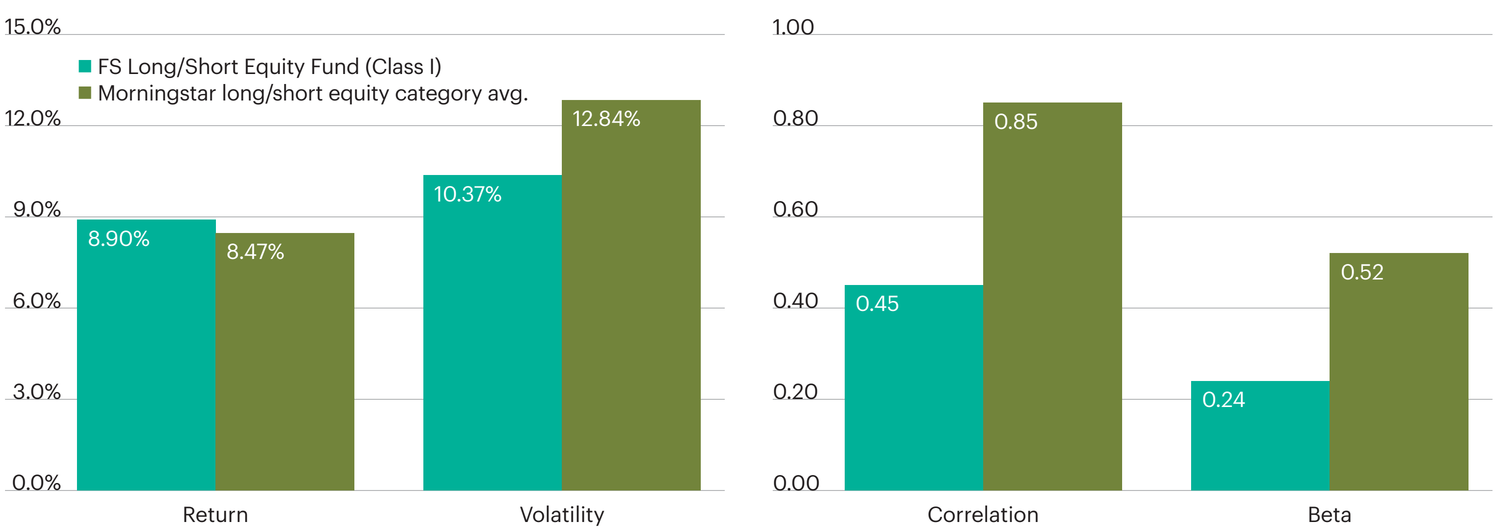
Outlook

Equities staged a remarkable comeback following the market rout in Q1. For the year, the S&P 500 returned 18.39%, the Dow returned 9.72% and the tech-heavy Nasdaq was up an astonishing 45.06% as these large-cap growth names led the way for much of the year. We do not believe that heavy equity concentration, like we have seen this year, and the subsequent beta-fueled rally are sustainable given where we are in the market cycle.

With the economic recovery marching on and the next leg higher coming off a broader base, we expect active managers who can perform robust fundamental analysis and deploy capital into unloved sectors or businesses to perform well. Risks and uncertainties also remain. COVID cases are increasing at a faster rate than ever before and we are still months away from mass immunization, which may cause some near-term volatility.

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

FSYIX has generated strong risk-adjusted returns with lower equity correlation (12/31/2018–12/31/2020)



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

Fund objective

FS Long/Short Equity Fund seeks to provide equity-like returns through long/short investing within equity markets.

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

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

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

4 Bloomberg, as of December 31, 2020.

5 Morningstar, as of December 31, 2020.

GLOSSARY OF TERMS

Alpha measures excess return relative to expected returns based on the fund's degree of beta. A positive alpha indicates the portfolio is earning excess returns. A negative alpha indicates the portfolio is lagging in returns. **Basis points (bps)** refers to a common unit of measure for interest rates and other percentages. **Beta** is a measure of an asset's or a portfolio's volatility, or systematic risk, in comparison to a benchmark or the market as a whole, reflecting the tendency of returns to respond to market swings. **Correlation** is a statistical measure of the extent to which two securities move in relation to each other, often expressed via a coefficient ranging from +1 to -1. **Growth** is any share in a company that is anticipated to grow at a rate significantly above the average growth for the market. These stocks generally do not pay dividends. A **long position** is the buying of a stock, commodity or currency with the expectation that it will rise in value. **Momentum** is the rate of acceleration of a security's price or volume, that is, the speed at which the price is changing. **Quality** is a strategy based on a set of clearly defined fundamental criteria that seeks to identify companies with outstanding quality characteristics, such as low debt, stable earnings, consistent asset growth and strong corporate governance. A **short position** is created when a trader sells a security first with the intention of repurchasing it or covering it later at a lower price. **Size** is a strategy capturing small-cap stocks that exhibit greater returns than portfolios with just large-cap stocks captured by looking at the market capitalization of a stock. **Standard deviation** is a statistical measure of the dispersion of an asset's rate of return relative to its mean and is typically used to assess its historical volatility. **Upside/downside capture ratio** shows whether and to what extent an investment has outperformed a broad benchmark during periods of market strength and weakness. An upside capture ratio over 100 means it usually gained more than the benchmark when benchmark returns were positive. A downside capture ratio less than 100 means it lost less than the benchmark when benchmark returns were negative. **Value** is a strategy capturing excess returns from stocks that have low prices relative to their fundamental value.

INDEX DEFINITIONS

The **Dow Jones Industrial Average** (**DJIA**, or the **Dow**) is a price-weighted stock market index that tracks 30 large, publicly owned blue-chip companies. **Morningstar Long/Short Equity** category is composed of funds holding sizable stakes in both long and short equity and related derivatives positions. Some funds may shift their exposure to long and short positions depending on their macro outlook or the opportunities they uncover. Some funds may hedge long stock positions through exchange-traded funds or derivatives. At least 75% of the assets are in equity securities or derivatives. The **Nasdaq** is a market capitalization-weighted stock market index of more than 3,000 companies, weighted heavily toward the information technology sector. **S&P 500 Index** is a market capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value.

Securities offered through ALPS Distributors, Inc. (1290 Broadway, Suite 1000, Denver, CO 80203, member FINRA), the distributor of FS Long/Short Equity Fund. FS Investment Solutions, LLC is an affiliated broker-dealer that serves as the exclusive wholesale marketing agent for FS Long/Short Equity Fund. FS Investment Solutions, LLC and ALPS Distributors, Inc. are not affiliated. Barclays Bank PLC and Novus Partners, Inc. are not affiliated with ALPS Distributors, Inc.

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

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

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

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