FS INVESTMENTS®

Fund commentary

As of 6/30/2021
unless otherwise noted

Class I: CCAPX

Chiron Capital Allocation Fund

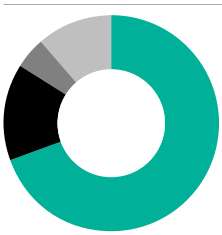
Seeking total return through quantitative and fundamental analysis.

Performance (total return)	QTD	YTD	1 year	3 year	5 year	Since inception (11/30/2015)
CCAPX (inception 11/30/2015)	2.88%	12.83%	52.35%	11.99%	11.83%	10.57%
Morningstar World Allocation category[1]	4.82%	8.60%	25.33%	8.02%	8.06%	—
Benchmark[2,3]	5.15%	6.57%	22.19%	11.23%	10.13%	9.35%
MSCI ACWI (Net)	7.39%	12.30%	39.26%	14.57%	14.61%	12.86%
Bloomberg Barclays U.S. Aggregate Bond Index	1.83%	-1.60%	-0.33%	5.34%	3.03%	3.60%

The total expense ratio for Class I is 1.13%. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. 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 the original cost, and current performance may be lower or higher than the performance quoted. Performance for periods less than one year are cumulative. For most recent month-end performance, please call 877-628-8575 or visit www.fsinvestments.com.

Asset allocation[4,5]

Composition (QTD)[6]

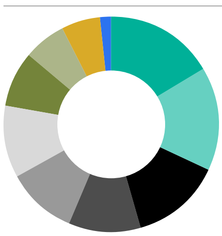


Asset type	Composition	Performance contribution
Total net equities	74.9%	+
Equities	80.1%	+
Hedging strategies	-5.2%	–
Total net fixed income	15.4%	+
Precious metal-related investments	5.3%	+
Other (cash)	12.0%	

Geography[4]

	% of equity holdings
North America	52.7%
Emerging markets	19.3%
Europe	17.6%
Asia	6.7%
United Kingdom	3.7%

Sector[4]



	% of equity holdings
Information technology	16.6%
Communication services	15.6%
Financials	13.5%
Energy	10.8%
Industrials	10.7%
Consumer discretionary	10.7%
Health care	8.3%
Materials	6.3%
Consumer staples	6.0%
Utilities	1.5%
Real estate	0.0%

Quarterly commentary

Following a first quarter in which the reflation trade dominated financial markets, Q2 delivered a decidedly more complex environment. After rising 83 bps during the first three months of the year, the 10-year U.S. Treasury yield declined 27 bps in Q2 as markets digested inflation data, sporadic COVID outbreaks and central bank reactions.[7] The fall in yields had clear ramifications for an equity market that is extremely sensitive to rates, as growth outperformed value and U.S. markets led the rest of the world.[7] Despite a less reflationary tone, economic data continued to be strong. In the U.S., the economy added 1.7 million jobs and consumption was buoyed by a rebound in services spending.[8] Vaccination levels continued to improve across the world, although large discrepancies still exist among countries and regions. In Europe, the inoculation campaign accelerated and over 50% of the population has now received at least one shot. Globally, that number is still just 23%, and the spread of the new delta variant has brought COVID concerns back to the fore.[9]

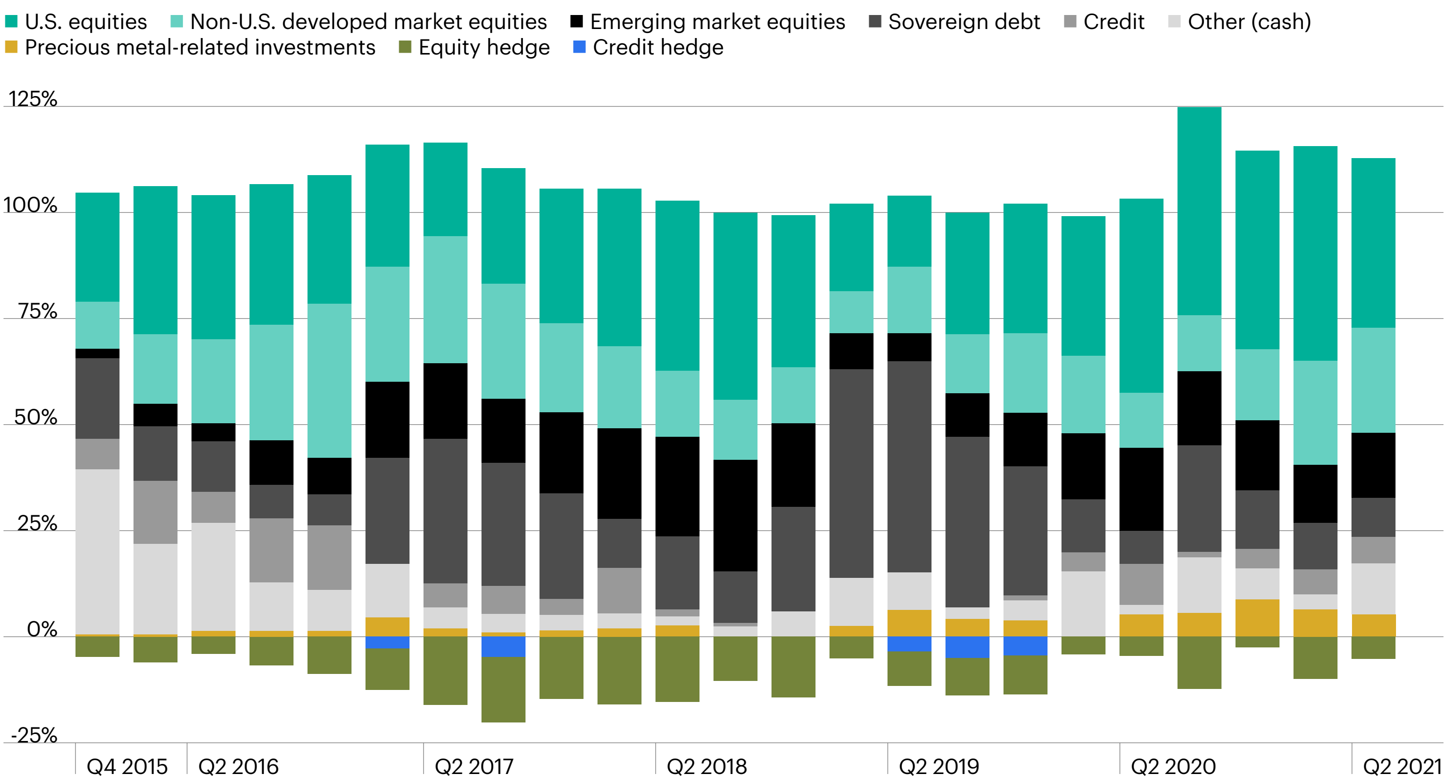
Quarterly commentary (continued)

The retracement in yields forced a dramatic shift in equity market leadership. A new U.S. administration and accompanying fiscal stimulus sparked a rotation toward value and cyclicals in Q1. The past three months, however, saw a reversion back toward growth stocks. This appeared to fly in the face of rising inflation, which was the topic du jour in the U.S. Core CPI rose 0.9% and 0.7% m/m, respectively, in April and May.[8] Other indicators, such as the ISM Manufacturing Index and the NFIB survey of small businesses, pointed to labor shortages and supply chain bottlenecks, adding fuel to the inflation narrative.[7] However, around half of the overall uptick in CPI came from outsized gains in small categories, like used cars and airfares that are seen as likely transitory.[8]

The Fed's reaction to inflation pressures at its June meeting was taken by markets as more hawkish than expected, accelerating the curve flattening. In all, rate-sensitive growth stocks gained as yields fell, and S&P 500 Growth outperformed S&P 500 Value by 6.61% for the quarter. Despite historically low correlations between growth and value stocks, the robust economic rebound has acted as a rising tide to lift all ships in 2021—value has risen 16.29% YTD while growth is up 14.30% in what was the second-best first half for the S&P 500 since 1998.[7]

Outside the U.S., the MSCI Europe Index rose 6.74% as vaccinations accelerated.[7] Following a tumultuous Q1 in which delays hampered sentiment, the EU is nearing the vaccination levels of the U.S., and the disbursement of Recovery Fund monies has further improved the economic backdrop. Despite stronger fundamentals and Europe's value orientation, falling bond yields drove an outperformance of growth stocks just as it did in the U.S. In the U.K., the FTSE 100 rose 5.63% in Q2 and 10.88% in the first half.[7] Despite a strong vaccination campaign and improving economic growth prospects, the more defensive composition of U.K. markets has left them as laggards among developed markets. Emerging markets rose 5.08% on the quarter, with notable dispersion across regions.[7] China's turn toward tighter policy, along with its regulatory crackdown on tech giants, weighed on both the cyclical and tech areas of the market and dragged down broader emerging Asia. On the other end of the spectrum, Brazil and India outperformed as their markets rebounded from COVID-driven declines. Broadly, emerging markets have underperformed this year amid a modestly stronger dollar and an overhang of COVID risk.

Composition allocation by quarter (11/30/2015–6/30/2021)



Asset allocation is as of the last business day of the quarter. 2015–2016 asset allocation exposure is as a percentage of AUM. For 2017 and later, asset allocation is as a percentage of NAV. Equity hedge primarily includes total return swaps used to short exposure to the equity asset class (Dispute) as a hedge on the long equity position of the Fund; it may also include short positions in future instruments and/or the estimated delta-adjusted exposure of index options, all as a hedge on the long equity position of the Fund. If utilized to obtain long exposure, the notional value of derivative instruments is included in the calculation of the respective allocations. For example, the Fund may invest in a total return swap to gain long emerging market equities exposure. The Fund may utilize an index future to obtain long exposure to U.S. government fixed income.

Performance

The fund returned 2.88% in Q2, underperforming its blended benchmark, which rose 5.15%.During the quarter, the fund's equity, fixed income and precious metals-related allocations were positive, while our equity hedge detracted from returns. Within the equity book, information technology, energy and communications services were the leading contributors to performance while consumer discretionary, health care and industrials were the largest detractors. In developed markets, the U.S., Netherlands and Austria were the leading contributors to performance while Ireland, the U.K. and Singapore were laggards. In emerging markets, South Korea, Taiwan and Chile were the top contributors for the quarter while China, South Africa and Greece were the largest detractors.

Outlook

In our outlook last quarter, we wrote that while we remained positive on global markets broadly, the reflation trade had run remarkably quickly and also that the investing environment had changed materially since the beginning of the year. Since then, our valuation spreads have largely stopped falling, indicating a pause in the value rally. Throughout the quarter, we sought to methodically balance our portfolio by trimming net equity exposure and complementing our cyclical exposure with additions to core growth stocks. Our quantitative work continues to tell us to embrace risk, with Deep Value or Value readings in most regions. We expect markets to continue exhibiting high dispersion and low correlation between factors as investors evaluate whether above-trend global growth can be sustained beyond 2022; as such, we will sharpen our focus on single-stock fundamentals over broad market beta. Within fixed income, despite a solid Q2 we are wary of adding duration at current yield levels. Instead, we have focused on holding a higher cash balance and finding attractive preferred and convertible opportunities.

We remain largely constructive on risk assets given robust economic fundamentals, low yields and accommodative policy, but the investing landscape has changed significantly over the past six months. The first half of 2021 could be split evenly in two, as Q1's dominant reflation trade gave way to yield retracement and more balanced equity performance in Q2. Markets remain highly sensitive to policy shifts and interest rate movements, and the correlation between value and growth stocks in the U.S. currently sits at a two-decade low.[7] Interestingly, however, this historically low correlation has not been driven by a dominant outperformance of one over the other — both value and growth have performed well year to date. This is emblematic of a market that is buoyed by an extremely positive macroeconomic backdrop, but one in which underlying day-to-day relative performance is still very sensitive to rate movements. We believe this environment calls for a balanced approach, with an emphasis on company fundamentals over factor investing. Indeed, we are starting to observe higher-quality/higher-profitability stocks, which were beaten down early in the year, outperform versus lower-quality names — a sign that the market is moving into the middle portion of the cycle. The combination of strong global economic fundamentals, significant geographical dispersion and an increased emphasis on single-stock cash flow credentials, we believe, is the type of environment where our disciplined quantamental approach thrives.

This continues to be a market that is moving at an incredible rate of speed. Potential catalysts, both positive and negative, are numerous — inflation, monetary policy, COVID and geopolitics, to name just a few. We are focused on minimizing exposure to highly volatile factors and instead concentrating on identifying companies with strong cash flows that are being undervalued.

Fund objective

Chiron Capital Allocation Fund seeks total return, which consists of capital growth and income.

1 The Morningstar category is compiled by Morningstar, an independent mutual fund research and rating service. The Morningstar category represents a universe of funds that is similar in investment objective to the Fund. The category is unmanaged and does not reflect any fees, expenses or sales charges. You cannot invest directly in the category.

2 Prior to May 31, 2019, the fixed income benchmark was the FTSE World Broad Investment-Grade Bond Index.

3 The blended benchmark consists of a 60% weighting of the MSCI ACWI Index and a 40% weighting of the Bloomberg Barclays U.S. Aggregate Bond Index.

4 The Fund's assets include the notional value of derivatives used to obtain long exposure; in addition, for asset allocation purposes, the Fund's assets include the notional value of derivatives used for hedging purposes, as applicable, and excludes other items. Equity may also include the delta-adjusted exposure of options.

5 Asset allocation during 2015–2016 was as a percentage of AUM; beginning in 2017, asset allocation is measured as a percentage of NAV.

6 The Fund's assets include the notional value of derivatives and exclude other items.

7 Bloomberg Finance, L.P., as of June 30, 2021.

8 U.S. Bureau of Labor Statistics, as of June 30, 2021.

9 Our World in Data, as of June 30, 2021.

INDEX DEFINITIONS

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). **Morningstar World Allocation category** consists of world-allocation portfolios that seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. While these portfolios do explore the whole world, most focus on the U.S., Canada, Japan and the larger markets in Europe. **Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) Index** is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and is calculated with dividends reinvested after deduction of withholding tax.

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To determine if the Fund is an appropriate investment for you, carefully consider the Fund investment objectives, risk, and charges and expenses. This and other information can be found in the Fund (full and summary) prospectus which can be obtained by calling 877-628-8575 or by visiting www.fsinvestments.com. Please read the prospectus carefully before investing.

RISK FACTORS

Investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. High yield bonds involve greater risks of default or downgrade and are more volatile than investment grade securities, due to the speculative nature of their investments. In addition to the normal risks associated with investing, international investments may involve risk or capital loss from unfavorable fluctuation in currency values, differences in generally accepted accounting principles or from social, economic or political instability in other nations. Emerging markets involve heightened risks related to these factors as well as increased volatility and lower trading volume. REIT investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses.

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