FS INVESTMENTS®

Q2 Fund commentary
As of 6/30/2021

FS Global Credit Opportunities Fund

Summary

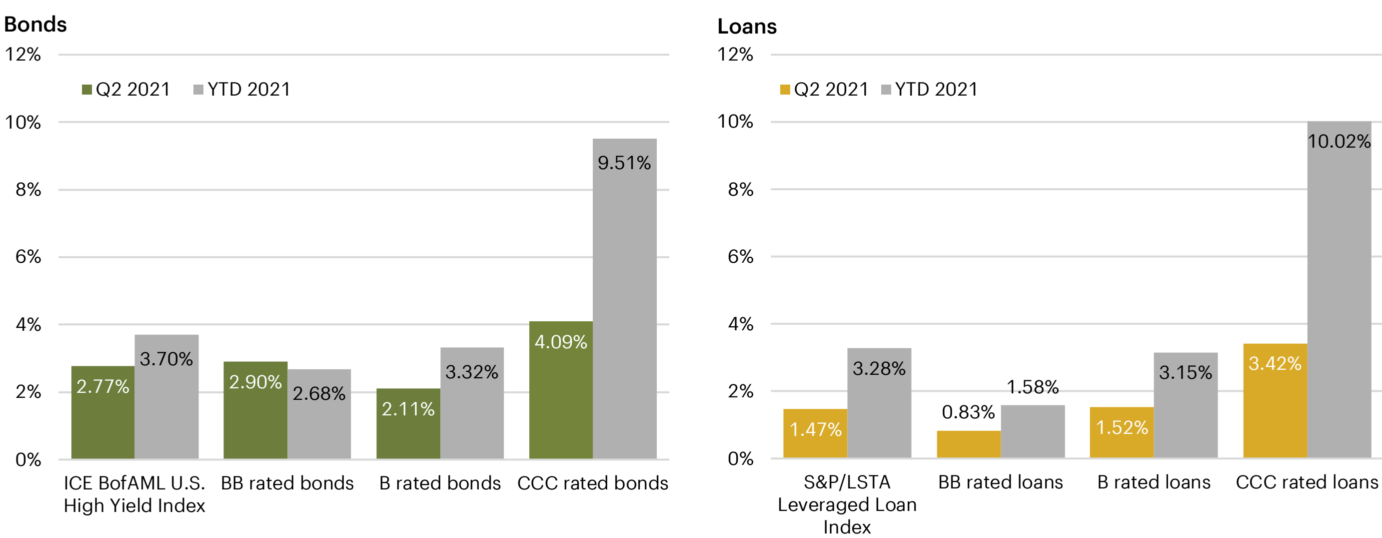
- Leveraged credit markets moved higher during the second quarter of 2021 as economic activity accelerated and COVID-19 vaccination progress continued. YTD returns for both high yield bonds and loans have been evenly split between income and price appreciation as spreads have consistently tightened for much of the year.
- High yield bonds and senior secured loans returned approximately 2.8% and 1.5%, respectively, during the second quarter.[1,2] Amid the benign market backdrop, CCC-rated bonds and loans again led performance across their respective markets.
- FS Global Credit Opportunities Fund (FSGCO or the Fund) continued to focus on idiosyncratic situations, unique capital structure solutions and select private investments and financings to companies undergoing significant operational change.
- FSGCO outperformed high yield bonds, senior secured loans and CCC-rated loans during the quarter but trailed returns on CCC-rated bonds.[1,2,3,4,5]

Market review

Economic activity accelerated during the second quarter as widespread vaccination efforts progressed and consumer and investor confidence reached pre-pandemic highs. Despite the economic enthusiasm, the 10-year U.S. Treasury yield steadily declined during the quarter, falling 0.3% as investors largely looked past inflationary spikes as being transitory. High yield bonds and senior secured loans returned 2.8% and 1.5%, respectively, during Q2 and 3.7% and 3.3% during the first half of 2021.[1,2] Default rates continued to fall sharply and ended June below 2% in both markets as the level of distress fell to its lowest level since 2011.[1]

As has been the case in recent quarters, returns across high yield bond and senior secured loan markets were largely driven by lower-rated securities as spreads on both high yield bonds and senior secured loans neared all-time lows during the quarter. YTD, CCC-rated bonds are up 9.5%, outperforming BB-rated issues by 684 bps, while CCC-rated loans are up 10.0% compared to 1.6% for BB-rated loans.[3,4]

High yield bond and senior secured loan total returns by rating



Source: ICE BofAML High Yield Master II Index, S&P/LSTA Leveraged Loan Index, as of June 30, 2021.

FSGCO seeks to generate strong total returns over the long term, investing in a concentrated portfolio of high-conviction securities.

Performance review

FSGCO's net asset value was $7.66 per share as of June 30, 2021, up 1.9% quarter-over-quarter. The majority of the NAV increase was driven by broad-based appreciation across the portfolio. Certain names in the retail and energy sectors were notable contributors.

During the second quarter, the Fund outperformed high yield bonds, senior secured loans and CCC-rated loans, but trailed returns on CCC-rated bonds. On a year-to-date basis, the Fund outperformed senior secured loans and high yield bonds but trailed returns on CCC-rated loans and bonds.

More broadly, we believe the steps we have taken since assuming full advisory and portfolio management functions of the Fund in April 2018 have helped diversify the portfolio and generate attractive returns for our investors. To this end, looking at performance since January 2018, the Fund has returned 8.3% on an annualized basis, outperforming the high yield bond and loan markets, including CCC bonds and loans. Returns have been driven largely by our efforts to reduce the Fund's allocation to investments whose performance tends to be highly influenced by broader swings in the market and focus on investments that we believe offer better risk-reward characteristics.

Total returns[1,2,3,4,5]	Q2 2021	YTD 2021
FSGCO*	3.6%	8.5%
High yield bonds	2.8%	3.7%
Senior secured loans	1.5%	3.3%
CCC bonds	4.1%	9.5%
CCC loans	3.4%	10.0%

*FSGCO's returns in green above are net of fees and expenses; index returns in black are gross of fees and expenses. All figures may be rounded. Returns shown are historical and based on past performance. **Past performance is not indicative of future results.**

Investment activity

Though spreads across the ratings spectrum remained at or near pre-pandemic levels during Q2, we continued to find attractive idiosyncratic investment opportunities whose performances are not wholly driven by the macro environment.

Our focus has been on the following:

- Small and mid-sized middle market companies trading at compelling valuations: We continue to see evidence that the uneven global recovery will impact smaller middle market companies that do not have access to traditional funding sources or public debt markets. We are focused on sourcing securities that trade at a large fundamental discount to what we believe to be their intrinsic value.
- Structured solutions: We see the largest opportunity today in private, tailored credit investments. As regulatory restrictions limit bank lending to companies with unconventional credit profiles, and private debt strategies become more streamlined with respect to investment terms and structures, we believe our ability to structure highly customized solutions for our borrowers is differentiated in the marketplace and offers the Fund the potential for attractive total returns.
- High quality, defensive investments: We are defensively positioning the portfolio by adding what we believe are higher-quality investments that have low default risk yet pay an attractive level of current income in the low yield environment.

The Fund committed to $294 million in new investments during the quarter. New investment activity was offset by $216 million in sales and repayments, leading to net quarterly investment activity of approximately $78 million.

We continued to focus on sourcing opportunistic private and public investments with an emphasis on senior secured debt. As of June 30, 2021, approximately 74% of the portfolio consisted of senior secured debt, up from 71% the prior quarter. The allocation to unsecured debt was 6% compared to 5% as of March 31, 2021, while the Fund's allocation to asset-based finance, SPACs and equity/other investments was 20% as of June 30, 2021, down from 24% the prior quarter. Floating rate debt represented approximately 51% of the portfolio as of June 30, 2021, up from 48% as of March 31, 2021.

Conclusion

We believe the Fund's broad mandate and ability to focus on idiosyncratic situations and bespoke capital structure solutions should continue to yield attractive investment opportunities.

Against this backdrop, we will continue to seek out investments where yield premiums exist due to complexity, illiquidity or as a result of corporate events as opposed to elevated risk of loss. We look to maintain the Fund's yield while continuing our emphasis on higher-quality positions amid today's tight spread environment. Where appropriate, we will seek to deploy excess cash in an effort to tactically take advantage of market dislocations where they may arise.

Note: All figures may be rounded. Returns shown are historical and based on past performance. Past performance is not indicative of future results.

1 ICE BofAML U.S. High Yield Master II Index.

2 S&P/LSTA Leveraged Loan Index.

3 S&P/LSTA CCC Rated Loan Index.

4 ICE BofAML U.S. High Yield CCC Rated or Below Index.

5 The total return for each period presented 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 Fund at the Fund's net asset value per share as of the share closing date occurring on or immediately following the distribution payment date. The total return does not consider the effect of the sales load from the sale of the Feeder Funds' common shares.

Risk factors

FS Global Credit Opportunities Fund (FSGCO or the Fund) is a non-diversified, closed-end management investment company that carries out the investment strategies generally described herein. An investment in FSGCO involves a high degree of risk and may be considered speculative. The following are some of the risks an investment in the Shares involves; however, investors should carefully consider all of the risks discussed in FSGCO's reports filed with the SEC before deciding to invest in the Shares.

- An investment in common shares of beneficial interest of the Fund (the Shares) is not suitable for investors who need access to the money they invest.
- Shareholders of FSGCO (Shareholders) should consider that they may not have access to the money they invest for an indefinite period of time.
- Unlike investors in most closed-end funds, the Shareholders should not expect to be able to sell their Shares regardless of how FSGCO performs.
- If a Shareholder is able to sell their Shares, the Shareholder will likely receive less than their purchase price and the then-current net asset value, or NAV, per Share.
- Unlike most closed-end funds, the Shares are not listed on any securities exchange, and FSGCO intends to evaluate completing a liquidity event within seven years following the date on which it commenced investment operations.
- To provide Shareholders with limited liquidity, FSGCO intends to conduct quarterly repurchases of Shares. Although FSGCO has implemented a share repurchase program, it may be discontinued at any time, and only a limited number of Shares are eligible for repurchase.
- FSGCO's distributions may be funded from unlimited amounts of offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to FSGCO for investment. Any capital returned to Shareholders through distributions will be distributed after payment of fees and expenses, as well as the sales load.
- FSGCO's previous distributions to Shareholders were funded in significant part from the reimbursement of certain expenses, including through the waiver of certain investment advisory fees, and additional support payments that may be subject to repayment to FSGCO's affiliate, Franklin Square Holdings, L.P. (FS Investments), and FSGCO's future distributions may be funded from such waivers, reimbursements or payments. Significant portions of these distributions were not based on FSGCO's investment performance, and such waivers, reimbursements and payments by FS Investments may not continue in the future. If FS Investments had not agreed to reimburse certain of FSGCO's expenses, including through the waiver of certain advisory fees payable by FSGCO, and provide additional support payments, significant portions of FSGCO's distributions would have come from offering proceeds or borrowings. The repayment of any amounts owed to FS Investments will reduce the future distributions to which the Shareholders would otherwise be entitled.
- Even if FSGCO does eventually list its Shares, shares of closed-end funds frequently trade at a discount to NAV, and this creates a risk of loss for investors who purchased Shares at the offering price. This risk is separate and distinct from the risk that FSGCO's NAV will decrease.
- FSGCO's investments in securities and other obligations of companies that are experiencing distress involve a substantial degree of risk, require a high level of analytical sophistication for successful investment and require active monitoring.
- FSGCO's investments in various types of debt securities and instruments may be secured, unsecured, rated or unrated, are subject to non-payment risk, and may be speculative in nature.
- Below investment grade instruments (commonly referred to as "high yield" securities or "junk bonds") may be particularly susceptible to economic downturns, which could cause losses.
- FSGCO may invest in illiquid and restricted securities that may be difficult to dispose of at a fair price.
- FSGCO's use of leverage could result in special risks for FSGCO Shareholders and can magnify the effect of any losses.
- Investments in certain securities or other instruments of non-U.S. issuers or borrowers may involve factors not typically associated with investing in the United States or other developed countries.
- Securities or other instruments of non-U.S. securities may be traded in underdeveloped, inefficient and less liquid markets and may experience greater price volatility, illiquidity and changes in value.
- FS Global Advisor, LLC and certain of its affiliates may experience conflicts of interest in connection with the management of FSGCO.
- FSGCO seeks to achieve its investment objectives by focusing on a limited number of opportunities across the investment universe.
- The global outbreak of COVID-19 (commonly known as the coronavirus) has caused volatility, severe market dislocations and liquidity constraints in many markets, including securities FSGCO holds, and may adversely affect FSGCO's investments and operations. Such impacts may adversely affect the performance of FSGCO's investments and FSGCO.
- We expect that the current market conditions may have a lasting and, in some instances, permanent impact on some of our portfolio companies as they struggle to meet covenant obligations and face insolvency in future periods. Poor performance or insolvency of our portfolio companies could have a material adverse impact on our financial condition and results of operations.