

ITEM 1: Cover Page

FS FUND ADVISOR, LLC

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As of March 29, 2024

This brochure provides information about the qualifications and business practices of FS Fund Advisor, LLC (the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (215) 220-6651. The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

The Adviser is an investment adviser registered with the SEC. Please note that registration does not imply a certain level of skill or training.

Additional information about FS Fund Advisor, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” addressing the information required to be included in the brochure disclosure document (the “**Brochure**”) that Adviser provides to clients as required by the rules promulgated by the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

This brochure, dated March 29, 2024, is the annual update to the brochure (“**Brochure**”) for the Adviser.

Effective November 23, 2022, FS Fund Advisor, LLC registered with the Commodities Futures Trading Commission as a “commodity pool operator” under the Commodities Exchange Act with respect to FS Multi-Strategy Alternatives Fund and is a member of the National Futures Association.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser’s fiscal year end. The Adviser may further provide other ongoing disclosure information about material changes, as necessary. This information will be provided at no charge.

Currently, the Adviser’s Brochure may be requested by contacting Lisa Detwiler, Chief Compliance Officer, at (215) 220-6651 or lisa.detwiler@fsinvestments.com.

Additional information about the Adviser is also available via the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser, as applicable.

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ITEM 4: Advisory Business

The Adviser was formed on March 8, 2017, for the purpose of providing investment advisory services to FS Series Trust and the certain funds (together, the “**Funds**” and individually, a “**Fund**”) which are currently offered by the AIC III Series Trust, a trust formed to conduct, operate, and carry on the business of a management investment company registered under the Investment Company Act of 1940, as amended (the “**Company Act**”). The Adviser may, subject to any limitations described in the investment advisory agreement between the Adviser and a Fund, advise other investment companies or entities (collectively, the “**Clients**”), at which time the Adviser will make any necessary amendments to this Brochure.

The Funds advised by the Adviser as of December 31, 2023, are:

- 1) FS Multi-Strategy Alternatives Fund (“**FSMSAF**”) seeks to provide shareholders with positive absolute returns over a complete market cycle. In addition to the primary sub-adviser, Wilshire Associates Incorporated, the Adviser employs four sub-advisers: 1) Waterfall Asset Management, LLC; 2) MidOcean Credit Fund Management, L.P.; 3) Electron Capital Partners, LLC; and 4) Mariner Investment Group, LLC and may allocate certain assets of this fund to alternative beta providers (swap or similar instrument counterparties) (“**Alternate Beta Providers**”), which offer exposure to the “beta” portion of the returns of particular investment strategies (“**Alternative Beta Strategies**”) and managed by FS Fund Advisor, LLC directly.
- 2) FS Chiron Real Development Fund (“**FSCRDF**”) seeks to provide total returns consisting of capital appreciation and income, by allocating its assets across a broad spectrum of real assets investments, including instruments providing exposure to such instruments. Real Assets include: 1) instruments or companies that derive their value from physical properties, such as, natural resources, equipment and industrials, infrastructure, commodities; and 2) inflation-indexed securities. The Adviser, as co-investment manager with Chiron Investment Management, expects to allocate certain of the assets of the Fund among one or more Alternative Beta Providers that offer the Fund exposure to the returns of Alternative Beta Strategies.
- 3) FS Managed Futures Fund (“**FSMFF**”) seeks to provide positive absolute returns with low correlation to traditional investments. The Adviser expects to allocate up to 100% of the assets of the Fund among one or more Alternative Beta Providers that offer exposure to the returns of particular investment strategies. The Adviser may also manage all or portion of the Fund’s assets directly. The Fund typically invests in derivative instruments, including structured notes, futures contracts, futures-related instruments, forwards and swaps and currencies and currency futures and forwards. The Adviser generally expects that this Fund will have exposure in long and short positions, across five (5) asset classes: 1) commodities; 2) currencies; 3) fixed income; 4) equities; and 5) credit.

The Adviser is responsible for identifying potential investments for the Funds, except in those instances where the Adviser has delegated such decisions to a sub-adviser, as described more fully herein.

Investment professionals of the Adviser have extensive experience in alternative asset classes, Alternative Beta Strategies and funds regulated pursuant to the Company Act. The Adviser incorporates a sophisticated platform with an experienced team of investment professionals to identify opportunities for the Funds, while at the same time assessing and monitoring risk. The Adviser evaluates such investments and their appropriateness based on each Fund's investment objectives, strategies, restrictions, and guidelines, as described in the Funds' governing documents. The Adviser does not provide individualized advice to investors; as such, investors must consider whether a particular security meets their investment objectives and risk tolerance prior to investing.

In addition to hiring various discretionary sub-advisers, the Adviser entered into an advisory agreement with Wilshire, whereby Wilshire provides advice regarding sub-adviser selection and overall allocation.

The Adviser is a subsidiary of Franklin Square Holdings, L.P. ("**FSH**"), and an affiliate of certain other investment advisers affiliated with FSH. The Adviser has registered with the SEC for the purpose of providing advisory services to the Funds. Investment professionals of the Adviser include its primary portfolio manager, Scott Burr.

The Adviser has approximately \$2,539,650,500 million in assets under management as of December 31, 2023, which the Adviser manages on a discretionary basis, except in those instances relating to FSMSAF, where the Adviser has engaged sub-advisers to manage certain of its assets. The principal owner of the Adviser is FSH. The Adviser does not provide portfolio management services for wrap fee programs.

With respect to any Fund, this Brochure is qualified in its entirety by the Fund's offering memorandum, prospectus, statement of additional information and /or similar disclosure and governing documents.

ITEM 5: Fees and Compensation

As compensation for the performance of its obligations as the manager of the Funds, the Adviser will generally be entitled to receive from the Fund, subject to the terms and conditions of each Fund's governing documents, the management fees (collectively, the "**Management Fees**"). The Management Fees are typically paid by the Fund quarterly in arrears, in accordance with its governing documents. All Management Fees are billed and payable as described in each Fund's governing documents. The Adviser may, in its sole discretion, waive, reimburse, or delay all or part of such fees. By letter dated December 31, 2020, the Adviser agreed to waive 100% of its Management Fee, as described in the Adviser's governing documents, only with respect to FS Managed Futures Fund and FS Chiron Real Development Fund.

The total annual management fee paid to the Adviser relating to FS Chiron Real Development Fund is 95 basis points, of which, half or 47.5 basis points is paid to Chiron Investment Management, an affiliate of the Adviser, which also serves as a co-investment manager to FSCRDF.

Generally, the Funds (and, indirectly, the investors therein) bear all expenses as defined in the governing documents and investment management agreement of each Fund, including: (i) legal, filing, auditing, consulting, administration, accounting and other professional fees and expenses;

(ii) expenses associated with periodic reporting; (iii) expenses associated with financial statements and tax returns; (iv) insurance, interest and other expenses incurred in respect of borrowings, if any; (v) other expenses associated with the acquisition, holding, monitoring, settlement and disposition of the Fund's investments (including, without limitation, any brokerage, transaction, custody or hedging costs); (vi) the costs and expenses of any custodians, lenders, investment banks and other financing sources; (vii) any indemnity expenses; (viii) the costs and expenses of any litigation involving the Fund or its investments; and (ix) certain compliance related costs and expenses.

For a more complete discussion of the Funds' fees, compensation, and other expenses, please refer to the governing and offering documents for each Fund and Item 12: Brokerage Practices.

As the Adviser establishes other relationships (such as, with additional Clients), it may arrange to receive different types of fees, including fixed fees or fees paid on some other negotiated basis.

ITEM 6: Performance-Based Fees and Side-by-Side Management

Performance-based compensation, if any, will be paid in accordance with Section 205(3) of the Advisers Act or Rule 205-3 thereunder.

"Side-by-side management" refers to the simultaneous management of multiple types of client accounts and/or investment products. For example, as discussed above, the Adviser employs the same investment personnel to manage Clients that invest in similar types of assets and may follow similar, complementary, or competing investment objectives, policies, or strategies. Side-by-side management may give rise to a variety of potential and actual conflicts of interest for the Adviser and its employees and affiliates, including, as discussed below, the incentive to favor certain accounts with performance-based fees, accounts with respect which to the Adviser receives or retains relatively higher fees, or accounts in which the Adviser and its related persons have a pecuniary interest. Accordingly, the Adviser and its personnel may have differing pecuniary interests with respect to different Clients and may have an incentive to favor those Clients in which they have greater pecuniary interests. See Item 10: Other Financial Industry Activities and Affiliations.

Conflicts of Interest Associated with Performance Fees and Side-by-Side Management of Accounts.

Allocation

The Adviser and its related persons have an incentive to allocate investment opportunities based on pecuniary interest. As discussed in Item 5: Fees and Compensation, Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading, and Item 12: Brokerage Practices, the Adviser and its related persons may be entitled to a performance fee from the Fund and may also be eligible to receive performance-based compensation in their capacity as the investment manager, general partner or managing member of certain other Clients. Accordingly, the Adviser and its personnel may face a conflict of interest when considering how to allocate investment opportunities among accounts having different fee structures or pecuniary interests. Through its trade allocation policies and procedures, conflicts of interest policy (described below) and Code of Ethics, the Adviser seeks to promote fair and equitable treatment of accounts, based on

considerations that are unrelated to pecuniary interests, which mitigate any actual or potential conflict of interest that may exist with respect to, for example, the Adviser's allocation of time, resources and investment opportunities to the Clients that have performance-based compensation arrangements over those Clients that do not or are not expected to pay performance-based compensation.

Valuation

The Adviser's compensation may be reduced if the Adviser determines to write down the value of a portfolio investment, creating a disincentive for the Adviser to do so. As a result, to the extent that the Adviser values a portfolio investment higher than its current market value (or where such market values are unreliable), the Adviser may benefit by receiving a management fee that is increased by the impact, if any, of such valuation discrepancy. The Adviser may have a role in determining asset values with respect to Clients and may be required to price an investment when the market price is unavailable or unreliable. Investments that are fair valued in accordance with the Adviser's valuation policies generally will not have reliable market values and the fair value assigned by the Adviser to such investments, as determined in good faith by the Adviser in accordance with its policies and procedures, may not match the next available and reliable market price or, in retrospect, have been the price at which the investment could have been purchased or sold. The Adviser's valuation policies serve to mitigate this conflict.

FSH has adopted a conflicts of interest policy, entitled "FS Investments' Policies and Procedures Regarding MNPI and Conflicts of Interest" (the "**Policy**"). The Policy is applicable to the Adviser and outlines controls which help to identify and appropriately address actual, apparent and potential conflicts of interest.

ITEM 7: Types of Clients

The Adviser currently provides investment advice to Funds organized under the Company Act and may, in the future, provide investment advice to other investment vehicles. As discussed in Item 4, the Adviser may, subject to any limitations described in the investment advisory agreement between the Adviser and the Funds, advise other Clients.

The required minimum investment in each of the Funds varies. Lesser amounts may be accepted in certain limited circumstances based on the discretion of each Fund. Please consult the applicable offering documents for each Fund for further details.

ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss

The following summary of investment objectives, principal investment strategies and material risks are necessarily limited and are presented for general information purposes in accordance with regulatory requirements. Consequently, these summaries are in all instances qualified and superseded by the descriptions of objectives, strategies and risks, portfolio reports and other communications which are provided to the Clients.

The Adviser provides investment advisory services to the Funds, as noted in Item 4 – Types of Advisory Services. Information regarding each Fund's investment objectives, strategies and risks

is described in their respective offering documents, including the prospectuses; these Fund disclosure documents supersede the following descriptions.

Investing in securities involves the risk of loss of money and clients investing their money with the Funds should be prepared to bear that loss. None of the Funds for which the Adviser provides portfolio management services is a deposit in a bank; investment in the Funds is not insured or guaranteed by the Federal Deposit Insurance Corporation.

Methods of Analysis

The investment professionals of the Adviser have extensive experience identifying investments of various types. The investment professionals of the Adviser review all opportunities for, among other things, suitability, value, risk, potential returns, potential downside, capital structure and ownership, agency ratings, structure, and risks associated with each investment type. The Adviser executes these strategies through its experienced team, strong counterparties and robust monitoring process.

The following risk factors do not purport to be a complete list or explanation of the risks involved in the Adviser's investment strategies. These risk factors include only those risks that the Adviser believes to be material, significant or unusual and relate to significant investment strategies or methods of analysis employed by the Adviser. Please review the relevant Fund's offering documents for more information.

Risk of Loss

Currently, the Adviser provides investment advisory services only to the Funds, and the following is a summary of risks generally applicable with respect to the types of securities in which the Funds invest. The Adviser's investment activities involve a significant degree of risk of loss that investors should be prepared to bear. Investors should reference the governing documents of each Fund for a more complete description of all risks specifically applicable to those securities. Therefore, this summary of risks is qualified entirely by the disclosures made in the Prospectus of each Fund.

Derivatives Risk

A Fund may invest in financial instruments, including swap agreements, futures contracts, forwards and other derivative instruments ("**Financial Instruments**"), that may involve risks different from, or greater than, those associated with more traditional investments. Due to leverage, small changes in the value of the Financial Instruments' reference assets, rates, or indexes may produce disproportionate losses to a Fund. The value of Financial Instruments may not move as expected relative to the value of the reference assets, rates or indexes. Financial Instruments used for hedging purposes may not hedge risks as expected, and Financial Instruments used for non-hedging purposes may not provide the anticipated investment exposure. Financial Instruments may be highly illiquid, and the Fund may not be able to close out or sell a Financial Instrument position at a particular time or at an anticipated price. Various legislative and regulatory initiatives may impact the availability, liquidity and cost of derivatives. Financial Instruments also may be subject to interest rate risk, currency risk and counterparty risk.

Equity Risk

The prices of equity securities in which a Fund holds long, and short positions may rise and fall daily. These price movements may result from factors affecting individual companies, industries, securities markets or economies.

Market Risk

Investments in securities, in general, are subject to market risks that may cause their prices to fluctuate over time. An investment in a Fund may lose money.

Volatility Risk

A Fund may have investments that appreciate or decrease significantly in value over short periods of time. This may cause the Fund's NAV per share to experience significant increases or declines in value over short periods of time, however, all investments long- or short-term are subject to risk of loss.

Counterparty Risk

The stability and liquidity of many derivative transactions depends in large part on the creditworthiness of the parties to the transactions. If a counterparty to such a transaction defaults, exercising contractual rights may involve delays or costs for a Fund. Furthermore, there is a risk that a counterparty could become the subject of insolvency proceedings, and that the recovery of securities and other assets from such counterparty will be delayed or be of a value less than the value of the securities or assets originally entrusted to such counterparty.

Credit/Default Risk

An issuer or guarantor of fixed income securities or instruments held by a Fund may default on its obligation to pay interest and principal when due or default on any other obligation, which may impair the liquidity and value of the Fund's investment.

Event-Driven Trading Risk

A Fund may seek to profit from the occurrence of specific corporate or other events. A delay in the timing of these events, or the failure of these events to occur at all, may have a significant negative effect on the Fund's performance.

Foreign Investments and Emerging Markets Risk

A Fund may invest in the securities of non-U.S. issuers, including those located in developing countries, which securities involve risks beyond those associated with investments in U.S. securities. These risks may relate to foreign political, social and economic matters, less developed markets, political immobility and less developed legal and accounting practices.

Interest Rate Risk

Interest rate risk is the risk that prices of fixed income securities generally increase when interest rates decline and decrease when interest rates increase. A Fund may lose money if short-term or long-term interest rates rise sharply or otherwise change in a manner not anticipated by the Adviser or a sub-adviser. It is likely that there will be less governmental action in the near future to maintain low interest rates. The negative impact on fixed income securities from the resulting rate increases for that and other reasons could be swift and significant.

Market Capitalization Risk (Small-, Mid- and Large-Cap Stocks Risk)

To the extent a Fund emphasizes small-, mid-, or large-cap stocks, it takes on the associated risks. At any given time, any of these market capitalizations may be out of favor with investors. Small- or mid-cap capitalization stocks may be more volatile and more affected by sector or market events than larger-capitalization stocks.

Model and Technology Risk

The Adviser, sub-advisers, and Alternative Beta Providers may use investment programs that are fundamentally dependent on proprietary or licensed technology through such manager's use of, among other things, certain hardware, software, model-based strategies, data gathering systems, order execution, and trade allocation systems, and/or risk management systems. These strategies may not be successful on an ongoing basis or could contain errors, omissions, imperfections, or malfunctions. These errors may result in, among other things, execution and allocation failures and failures to properly gather and organize large amounts of data from third parties and other external sources.

Multi-Manager and Allocation Risk

The success of certain investment strategies depends on, among other things, the Adviser's ability, based on recommendations from Wilshire, to select Underlying Managers, Alternative Beta Providers and Alternative Investment Strategies to implement the Fund's investment objective and the Adviser's success in allocating assets, based on recommendations from Wilshire, to those Underlying Managers and Alternative Beta Providers. The Fund's Underlying Managers and/or Alternative Beta Strategies may underperform the market generally or underperform other investment managers that could have been selected for the Fund. In addition, some Underlying Managers may have little or no experience managing assets for an open-end fund, which is different from the hedge funds and similar vehicles with which most Underlying Managers have expertise.

Non-Investment Grade Fixed Income Securities Risk

Non-investment grade fixed income securities and unrated securities of comparable credit quality (commonly known as "junk bonds") are considered speculative and are subject to the increased risk of an issuer's inability to meet principal and interest payment obligations, increased risk of price volatility, increased risk of illiquidity and other risks.

Short Sales Risk

A short sale of a security involves the theoretical risk of unlimited loss because of increases in the market price of the security sold short. A Fund's use of short sales, in certain circumstances, can result in significant losses.

Arbitrage Strategies Risk

A Fund may purchase securities at prices only slightly below the anticipated value to be paid or exchanged for such securities in a merger, exchange offer or cash tender offer, and substantially above the prices at which such securities traded immediately prior to announcement of the transaction. If there is a perception that the proposed transaction will not be consummated or will be delayed, the market price of the security may decline sharply.

Commodities Risk

To the extent that a Fund gains exposure to the commodities markets, such exposure may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. The prices of certain commodities may fluctuate widely due to factors such as changes in value, supply and demand and governmental regulatory policies. Some commodity-linked investments are issued by companies in the financial services sector, including the banking, brokerage and insurance sectors. As a result, events affecting issuers in the financial services sector may cause the Fund's share value to fluctuate.

Currency Risk

A Fund's returns may be adversely impacted by changes in currency exchange rates.

Hedging Transactions Risk

A Fund may invest in securities and utilize Financial Instruments for a variety of hedging purposes. Hedging transactions may limit the opportunity for gain if the value of the portfolio position should increase. There can be no assurance that the Fund will engage in hedging transactions at any given time, even under volatile market conditions, or that any hedging transactions the Fund engages in will be successful. Moreover, it may not be possible for the Fund to enter into a hedging transaction at a price sufficient to protect its assets. The Fund may not anticipate a particular risk so as to hedge against it.

High Portfolio Turnover Risk

Active and frequent trading of a Fund's portfolio securities may result in increased transaction costs to the Fund, including brokerage commissions, dealer mark-ups and other transaction costs, which could reduce the Fund's return.

Highly Leveraged Transactions Risk

The loans or other debt instruments in which a Fund invests may include highly leveraged transactions whereby the borrower assumes large amounts of debt in order to have the financial resources to attempt to achieve its business objectives. Loans or other debt instruments that are part of highly leveraged transactions involve a greater risk (including default and bankruptcy) than other investments.

Investment Style Risk

Different investment styles (e.g., “growth,” “value” or “quantitative”) tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. The Funds may employ various non-traditional and alternative investment styles and may outperform or underperform other funds that invest in similar asset classes but employ different investment styles. Risks also exist that Underlying Managers may fail to fully adhere to stated or agreed-upon investment strategies and goals. An Underlying Manager may make certain changes to the strategies that the manager has previously used, may not use such strategies at all, may use additional strategies or may lose a license permitting the use of a proprietary model. Such changes may not be fully disclosed to the Fund’s Board of Trustees or the Adviser. As a result, the Fund’s portfolio could correlate with broader securities markets more closely than anticipated or may otherwise fail to achieve desired performance. Alternative Beta Strategies seek to generate returns through exposure to portfolios of risky assets that are selected based on non-traditional criteria. These strategies may involve elevated risk insofar as they may not involve detailed, issuer-specific fundamental analysis. Alternative Beta Strategies may give the Fund exposure to individual issuers that face significant operational, financial, regulatory or other challenges.

New Fund Risk

Each Fund has a limited operating history. Investors bear the risk that a Fund may not grow to or maintain an economically viable size, may not be successful in implementing its investment strategy, and may not employ a successful investment strategy, any of which could result in a Fund being liquidated at any time without shareholder approval and/or at a time that may not be favorable for certain shareholders. Such a liquidation could have negative tax consequences for shareholders.

Rule 144A and Other Exempted Securities Risk

A Fund may invest in privately placed and other securities or instruments exempt from SEC registration (collectively “private placements”), subject to liquidity and other regulatory restrictions. In the U.S. market, private placements are typically sold only to qualified institutional buyers, or qualified purchasers, as applicable. An insufficient number of buyers interested in purchasing private placements at a particular time could affect adversely the marketability of such investments and the Fund might be unable to dispose of them promptly or at reasonable prices, subjecting the Fund to liquidity risk.

Valuation Risk

The sales price that a Fund could receive for any particular portfolio investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology. Investors who purchase or redeem Fund shares on days when a Fund is holding fair-valued securities may receive fewer or more shares or lower or higher redemption proceeds than they would have received if the Fund had not fair-valued the security or had used a different valuation methodology.

Leverage Risk

Leverage occurs when a Fund directly or indirectly increases its assets available for investment using borrowings, short sales, Financial Instruments, or similar instruments or techniques. The use of leverage may make any change in a Fund's NAV greater than it otherwise would be and thus result in increased volatility of returns and the risk that the Fund will lose more than it has invested. Leverage can also create interest or other transactional expenses that may lower the Fund's overall returns. The use of leverage may cause the Fund to liquidate portfolio positions at disadvantageous times in order to satisfy its obligations or to meet any asset segregation or position coverage requirements.

Cyber Security and Operational Risk

A Fund and its service providers may experience disruptions that arise from breaches in cyber security, human error, processing and communications errors, counterparty or third-party errors, technology or systems failures, any of which may have an adverse impact on the Fund. Failures or breaches of the electronic systems of a Fund, the Fund's Adviser, distributor, and other service providers, or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's operations, potentially resulting in financial losses to the Fund and its shareholders.

Issuer Risk

An issuer in which a Fund invests or to which it has exposure may perform poorly, and the value of its loans or securities may therefore decline, which would negatively affect the Fund's performance. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures, natural disasters or other events, conditions or factors.

Liquidity Risk

Although a Fund may invest primarily in liquid, publicly traded securities, the Fund may make investments that may be illiquid or that may become less liquid in response to market developments or adverse investor perceptions. Illiquid investments may be more difficult to value and more difficult to sell in response to redemption requests than liquid investments. If the Fund must sell illiquid or less liquid assets to meet redemption requests or other cash needs, it may be forced to sell at a loss.

Regulatory Risk

Legal, tax, and regulatory developments may adversely affect a Fund. The regulatory environment for a Fund is evolving, and changes in the regulation of investment funds, their managers, and their trading activities and capital markets, or a regulator's disagreement with the Fund's interpretation of the application of certain regulations, may adversely affect the ability of the Fund to pursue its investment strategy, its ability to obtain leverage and financing, and the value of investments held by the Fund.

Structured Products and Structured Notes Risk

A structured product may decline in value due to changes in the underlying instruments on which the product is based. The cash flow or rate of return on the underlying investments may be apportioned among the newly issued securities to create different investment characteristics, such as varying maturities, credit quality, payment priorities and interest rate provisions. The cash flow or rate of return on a structured investment may be determined by applying a multiplier to the rate of total return on the underlying investments or referenced indicator. Application of a multiplier is comparable to the use of financial leverage, a speculative technique. Holders of structured products indirectly bear risks associated with the underlying investments, index or reference obligation, and are subject to counterparty risk. Structured products are generally privately offered and sold, and thus, are not registered under the securities laws. Certain structured products may be thinly traded or have a limited trading market and may have the effect of increasing a Fund's illiquidity to the extent that the Fund, at a particular point in time, may be unable to find qualified buyers for these securities. Structured notes are derivative securities for which the amount of principal repayment and/or interest payments is based on the movement of one or more "factors." Investments in structured notes involve risks including interest rate risk, credit risk and market risk. Where the Fund's investments in structured notes are based upon the movement of one or more factors, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of the factor may cause significant price fluctuations.

Activist Strategies Risk

A Fund may purchase securities of companies that are the subject of proxy contests or which activist investors are attempting to influence, in the expectation that new management or a change in business strategies will cause the price of such company's securities to increase. There is a risk that the market price of the company's securities will fall if the proxy contest, or the new management, is not successful.

Convertible Securities Risk

If market interest rates rise, the value of a convertible security usually falls. In addition, convertible securities are subject to the risk that the issuer will not be able to pay interest or dividends when due, and their market value may change based on changes in the issuer's credit rating or the market's perception of the issuer's creditworthiness. Because it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer risks that apply to the underlying common stock. "Mandatory"

convertible bonds, which must be converted into common stock by a certain date, may be more exposed to the risks of the underlying common stock.

Exchange-Traded Product Risk

A Fund may invest in long (or short) positions in ETFs, ETVs and ETNs (collectively with ETFs and ETVs, “**ETPs**”). Through its positions in ETPs, the Fund will be subject to the risks associated with such vehicles’ investments, including the possibility that the value of the securities or instruments held by an ETP could decrease (or increase), and will bear its proportionate share of the ETP’s fees and expenses. In addition, certain of the ETPs may hold common portfolio positions, thereby reducing any diversification benefits.

Fixed Income Risk

The price of fixed-income securities responds to economic developments, particularly interest rate changes, as well as to perceptions about the credit risk of individual issuers. Rising interest rates generally will cause the price of bonds and other fixed-income debt securities to fall. Falling interest rates may cause an issuer to redeem, call or refinance a security before its stated maturity, which may result in the Fund having to reinvest the proceeds in lower yielding securities. Bonds and other fixed-income debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a fixed-income security will fail to make timely payments of principal or interest and the security will go into default. Loans and other direct indebtedness involve the risk that the Fund will not receive payment of principal, interest and other amounts due in connection with these investments, which depend primarily on the financial condition of the borrower.

Limited Capacity Risk

Alternative investment strategies utilized by a Fund may have limited capacity, and the Adviser may not be able to allocate as much of a Fund’s assets to one or more alternative investment strategies as it desires. This capacity limitation may negatively impact the performance and portfolio composition of the Fund.

Mortgage-Backed and Other Asset-Backed Risk

Mortgage-backed and other asset-based securities are subject to risks associated with credit/default risk, interest rate risk, and prepayment risk, as well as the risk of declining values of underlying collateral assets. Small movements in interest rates may dramatically affect the value of certain mortgage- and asset-backed securities.

Preferred Stock Risk

Preferred stock is a type of stock that generally pays dividends at a specified rate and that has preference over common stock in the payment of dividends and the liquidation of assets. Preferred stock does not ordinarily carry voting rights. The price of a preferred stock is generally determined by earnings, type of products or services, projected growth rates, experience of management, liquidity, and general market conditions of the markets on which the stock trades. The most

significant risks associated with investments in preferred stock include issuer risk, market risk and interest rate risk (i.e., the risk of losses attributable to changes in interest rates).

U.S. Government Securities Risk

The U.S. government may not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises that have issued debt securities that may be held by a Fund. Such issuers may not have the funds to meet their payment obligations in the future.

Custody Risk

A Fund may invest in securities markets that are less developed than those in the U.S., which may expose the Fund to risks in the process of clearing and settling trades and the holding of securities by local banks, agents and depositories. The less developed a country's securities market is, the greater the likelihood of custody problems.

Swap Agreements Risk

In a typical swap transaction, two parties agree to exchange the return earned on a specified underlying reference for a fixed return or the return from another underlying reference during a specified period of time. Swaps may be difficult to value and may be illiquid. Swaps could result in Fund losses if the underlying asset or reference does not perform as anticipated. Swaps create significant investment leverage such that a relatively small price movement in a swap may result in immediate and substantial losses to a Fund. A Fund may only close out a swap with its particular counterparty and may only transfer a position with the consent of that counterparty. Certain swaps, such as short swap transactions and total return swaps, have the potential for unlimited losses, regardless of the size of the initial investment. Swaps can increase the Fund's risk exposure to underlying references and their attendant risks, such as credit risk, market risk, foreign currency risk and interest rate risk, while also exposing the Fund to correlation risk, counterparty risk, hedging risk, inflation risk, leverage risk, liquidity risk, pricing risk and volatility risk. As with any fund, there is no guarantee that the Fund will achieve its investment objective. An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Equities:

The price of equities fluctuates due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. It is possible to receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in an investment will cause a more significant loss. Diversification assists in reducing concentration risk.

Fixed Income Investments:

- Interest rate risk, the risk encountered in the relationship between bond prices and interest rates, is the most common form of risk. The price of a bond will change in the opposite direction of movements in prevailing interest rates.

- Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.
- Default risk is commonly referred to as “credit risk” and is based on the probability that the issuer of the debt obligation may default. Default risk is rated by quality ratings assigned by commercial rating companies.
- Call risk is the risk related to call provisions on debt obligations.
- Inflation risk arises based on the value of cash flows being received from a debt obligation may lose purchasing power over time due to the effects of inflation.
- Liquidity risk depends on the ease with which an asset can be sold at or near its current value. The best indicator to measure an issue’s liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the asset indicates a greater liquidity risk.
- Exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received.
- Floating Rate or adjustable-rate risk, the loans may or may not hold a senior position in the capital structure of the underlying U.S. and foreign corporations, partnerships or other business entities. Senior Loans may allow them to have priority of claim ahead of (or at least as high as) other obligations of a borrower in the event of liquidation and may be collateralized or uncollateralized. They typically pay interest at rates that float above, or are adjusted periodically based on, a benchmark that reflects current interest rates.
- LIBOR is an indicative measure of the average interest rate at which global banks could borrow from one another. The transition away from LIBOR may present a business risk and may present certain business disruptions resulting from the expected discontinuation of LIBOR.
- Market Risk — The risk that the market value of an investment may move up and down, sometimes rapidly and unpredictably. The Fund’s NAV per share will fluctuate with the market prices of its portfolio securities. Market risk may affect a single issuer, an industry, a sector or the market as a whole. Markets for securities in which the Fund invests may decline significantly in response to adverse issuer, political, regulatory, market, economic or other developments that may cause broad changes in market value, public perceptions concerning these developments, and adverse investor sentiment or publicity. Similarly, the impact of any epidemic, pandemic or natural disaster, or widespread fear that such events may occur, could negatively affect the global economy, as well as the economies of individual countries, the financial performance of individual companies and sectors, and the markets in general in significant and unforeseen ways. Any such impact could adversely affect the prices and liquidity of the securities and other instruments in which the Fund invests, which in turn could negatively impact the Fund’s performance and cause

losses on your investment in the Fund. Recent examples include pandemic risks related to COVID-19 and aggressive measures taken worldwide in response by governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged quarantines of large populations, and by businesses, including changes to operations and reducing staff.

- **General Market Risk.** An outbreak of respiratory disease caused by a novel coronavirus designated as COVID-19 was first detected in the PRC in December 2019 and subsequently spread internationally. The transmission of COVID-19 and efforts to contain its spread have resulted in international, national and local border closings and other significant travel restrictions and disruptions, significant disruptions to business operations, supply chains and customer activity, event cancellations and restrictions, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as general concern and uncertainty that has negatively affected the economic environment. These impacts also have caused significant volatility and declines in global financial markets, which have caused losses for investors. Health crises caused by viral or bacterial outbreaks, such as the COVID-19 outbreak, may exacerbate other pre-existing political, social, economic, market and financial risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual countries, the financial performance of individual companies and sectors, and the markets in general in significant and unforeseen ways. Any such impact could adversely affect the prices and liquidity of the securities and other instruments in which the Fund invests, which in turn could negatively impact the Fund's performance and cause losses on your investment in the Fund.

ITEM 9: Disciplinary Information

The Adviser has not been involved in any disciplinary actions or legal or administrative proceedings related to its business activities.

ITEM 10: Other Financial Industry Activities and Affiliations

The Adviser is affiliated with FS Investment Solutions, LLC ("**FSIS**"), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. ("**FINRA**"). FSIS is a wholly owned subsidiary of FSH and has been or is currently the dealer manager for the distribution of securities of certain funds and investment vehicles sponsored by FSH.

As described above in Item 1, the Adviser is an affiliate of FSGA, a registered investment adviser under the Advisers Act, which provides investment advisory services to FS Credit Opportunities Fund. The Adviser is also affiliated with the following investment advisers: (i) FS Real Estate Advisor, LLC, the investment adviser to FS Credit Real Estate Income Trust, Inc., a Maryland corporation that intends to elect to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes; (ii) FS Credit Income Advisor, LLC, the registered investment adviser to FS Credit Income Fund, a non-diversified, closed-end management investment company and operates as an interval fund pursuant to Rule 23c-3 under the Company Act; (iii) FS Structured Products Advisor, LLC, a registered investment adviser which provides investment advice to

Bridge Street CLO I, Bridge Street CLO II and Bridge Street CLO III; (iv) Chiron Investment Management, LLC, a registered investment adviser that advises open-end mutual funds; (v) FS/KKR Advisor, LLC, a registered investment adviser which provides investment advice to FS KKR Capital Corp. and KFIT; (vi) FS/EIG Advisor, LLC, a registered investment adviser which provides investment advice to FS Specialty Lending Fund (formerly known as FS Energy and Power Fund); (vii) FS Tactical Advisor, LLC, the registered investment adviser to FS Tactical Opportunities Fund; (viii) Portfolio Advisors, LLC; (ix) Asia Select Management Limited; (x) Portfolio Advisors Capital UK, Ltd.; and (xi) Portfolio Advisors Singapore Pte Ltd.

As mentioned above, the Adviser is affiliated with two joint-venture enterprises, FS/EIG Advisor, LLC, a registered investment adviser that is jointly owned and operated by affiliates of FSH and EIG Asset Management, LLC, and which provides investment advice to FS Specialty Lending Fund, an externally managed, closed-end management investment company that has elected to be regulated as a business development company (“**BDC**”) under the Company Act, and FS/KKR Advisor, LLC, a registered investment adviser that is a jointly owned and operated by affiliates of FSH and KKR Credit Advisors (US) LLC, and which provides investment advice to private credit BDCs, FS KKR Capital Corp. and KFIT.

Conflicts of interest with the Adviser’s current Clients, the Funds, related to these relationships may include the following:

- The directors, officers, investment and other personnel of the Adviser may allocate their time between advising the Funds and managing other investment activities and business activities in which they may be involved, including managing and operating the affiliated investment vehicles referenced above, or the “Fund Complex;”
- The personnel of the Adviser will allocate their time between assisting the Adviser in identifying investment opportunities for the Funds and otherwise providing investment management services to the Funds and making investment recommendations and performing similar functions for other business activities in which they may be involved, including in connection with certain other entities in the Fund Complex;
- From time to time, to the extent consistent with the Company Act and the rules and regulations promulgated thereunder, the Funds and certain other investment vehicles in the Fund Complex may make investments at different levels of an investment entity’s capital structure or otherwise in different classes of the Fund’s securities. 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 Funds and such other investment vehicles;
- The Adviser, and its investment personnel may give advice and recommend securities to other investment vehicles in the Fund Complex which may differ from advice given to, or securities recommended or bought for, the Funds;
- Personnel of the Adviser may have existing business relationships or access to material, non-public information that would prevent the Adviser from recommending certain

investment opportunities that would otherwise fit within one of more of the Funds' investment objectives and strategies;

- The Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with the Fund and/or may involve substantial time and resources of the Adviser;
- To the extent permitted by the Company Act and SEC staff interpretations, and subject to the trade allocation policies and procedures of the Adviser, the Fund and any of their respective affiliates, as applicable, the Adviser, and its affiliates may determine it appropriate for the Funds and one or more other investment accounts or vehicles managed by the Adviser, personnel of the Adviser or the Adviser's affiliates to participate in an investment opportunity.

To mitigate these conflicts, the Adviser 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 its trade allocation policies and procedures, 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. In addition, the Chief Compliance Officer of the Adviser will periodically review policies and procedures that are applicable to the Adviser in its capacity as investment adviser to the Funds, and the Adviser's compliance with such policies and procedures.

Further, as discussed above, certain investment and other professional personnel of the Adviser may also be involved in managing the assets of other affiliated investment vehicles pursuant to a different compensation structure which may create conflicts of interest with the Fund with respect to their allocation of management time, services, and functions.

ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser has adopted a code of ethics pursuant to Rule 204A-1 of the Advisers Act establishing procedures that govern the conduct and securities transactions of each of the Adviser's officers, employees, and supervised persons. The "Code of Business Conduct and Ethics and Statement on the Prohibition of Insider Trading" (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by the Adviser to its Clients, including the Funds. It contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. All supervised persons of the Adviser will be required to acknowledge the terms of this document annually, or when it is amended.

The Code is designed to ensure that the personal securities transactions, activities and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, transactions involving certain classes of securities will be designated as exempt transactions, based upon a

determination that trading in these securities would not materially interfere with the best interests of the Adviser's Clients. In addition, the Code requires pre-clearance of certain transactions. Employee trading will be monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients. Generally, the securities purchased for the Adviser's Clients will not be available to a retail investor, except with respect to FS Chiron Real Development Fund.

The Adviser's Client or prospective Clients may request a copy of the Code by contacting the Chief Compliance Officer, FS Fund Advisor, LLC, 201 Rouse Boulevard, Philadelphia, Pennsylvania 19112.

ITEM 12: Brokerage Practices

The Adviser is required under various agreements to seek best execution in its purchase and sale of credit products from various trading desks. In either case, the Adviser will seek to obtain best execution by taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; a Fund's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria.

Research and Soft Dollar Benefit

In 2021, the Adviser authorized Soft Dollar transactions, but to date has not engaged in any such transactions. Consistent with its policy of seeking best execution, the Adviser may consider the research and brokerage services provided by various broker dealers, including the reputation and quality of their analyses, investment ideas and market and financial data and other information. These research and statistical services may consist of research reports or verbal advice from the broker dealers regarding particular companies, industries or general economic conditions. Included as part of these services may be informational meetings, interviews and seminars arranged by a broker dealer between the Adviser's analysts and brokerage analysts or executives of companies in which the Adviser's clients have invested or may invest in the future.

Research services used by Adviser means advice, analyses, information and reports about securities that provide lawful and appropriate assistance to the investment manager in the performance of its investment decision-making responsibilities and that reflect the expression of reasoning and knowledge.

The Adviser may receive and pay for research services in a variety of ways. Broker dealers, for example, may provide proprietary products or services directly. The Adviser may also arrange for a Broker to allocate a portion of commissions to an account of commission credits, soft dollars, maintained by a third-party aggregator via Commission Sharing Agreements. At the Adviser's request a third-party aggregator may pay for research services, including market data services, which are provided to the Adviser. In addition, the Adviser may pay directly for research services provided by firms that are not registered as broker dealers. The Adviser maintains policies and procedures regarding Soft Dollar transactions.

Order Aggregation

To the extent that the Adviser in its sole judgment believes that such aggregation will result in an overall economic benefit (taking into consideration the transaction price and other expenses), the Adviser will aggregate purchase and sales.

ITEM 13: Review of Accounts

The Adviser is required to prepare and deliver written reports and other data required by each Fund's governing documents, in sufficient time to the parties entitled thereto.

ITEM 14: Client Referrals and Other Compensation

The Adviser does not pay internal or external parties for referring investors to the Funds.

ITEM 15: Custody

The Adviser does not have custody of assets. Physical custody of assets is maintained by Brown Brothers Harriman, as custodian for the Funds.

ITEM 16: Investment Discretion

The Adviser has investment discretion over the investments made in the Fund, except where certain discretionary sub-advisers are employed. The Adviser maintains a supervisory oversight over the activities of the discretionary sub-advisers. Where the Adviser retains discretion, the Adviser exercises its discretion in a manner consistent with the applicable registration statement and governing documents.

ITEM 17: Voting Client Securities

To the extent the Adviser manages assets subject to proxy voting rights, it shall vote all such proxies in the best interest of its clients. The Adviser's written voting policies and procedures, and history of votes are available for review by existing clients upon request.

ITEM 18: Financial Information

There is no financial condition that is reasonably likely to impair Adviser's ability to continue to meet its contractual commitments and provide services to its Client. In addition, the Adviser has not been the subject of a bankruptcy proceeding.