INVESTMENTS®

Q3 Fund commentary

As of 9/30/2018

FS Global Credit Opportunities Fund

Summary

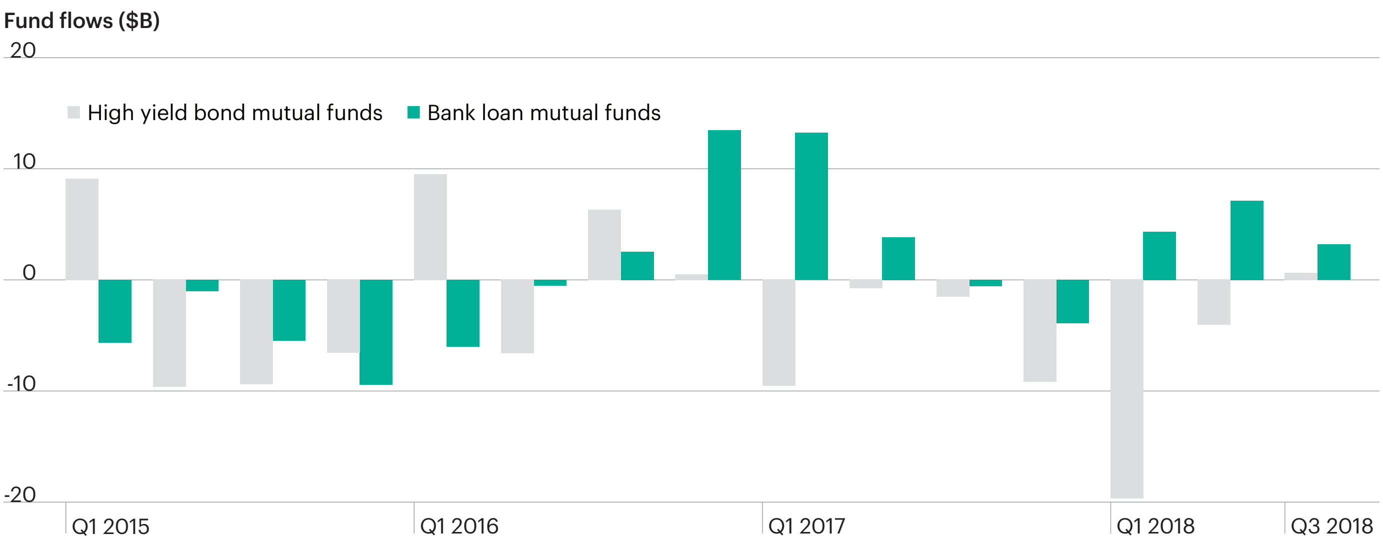
- The leveraged credit market indices rose in the third quarter of 2018, despite rising short-term U.S. Treasury yields weighing on higher-duration investments.[1,2]
- Investor demand for lower-rated credit improved during the third quarter, with higher-yielding areas of the market outperforming broader credit markets.[3,4]
- FS Global Credit Opportunities Fund (FSGCO or the Fund) outperformed high yield bonds and senior secured loans during the third quarter.[1,2,5,6]

Market review

Leveraged credit prices rose in the third quarter of 2018, despite rising short-term U.S. Treasury yields weighing on higher-duration investments.[1,2] Higher-yielding areas of the market outperformed their lower-yielding peers amid rising U.S. Treasury yields during the quarter.[3,4] Flows into high yield bonds reversed course, with high yield bond mutual funds recording an inflow of approximately $643 million in the third quarter after posting an outflow of nearly $24 billion through the first half of 2018.[7] Benefiting from their floating rate coupons and position as a possible hedge against rising interest rates, flows into senior secured loans remained positive, with bank loan mutual funds posting a net inflow of $3.2 billion in the third quarter and $14.7 billion so far in 2018.[7]

High yield bonds returned 2.44% in the third quarter and have now posted gains in 10 of the past 11 quarters.[1] Senior secured loans posted a 1.93% return in the third quarter and have now posted gains in all of the past 11 quarters.[2]

FLOWS INTO BANK LOAN MUTUAL FUNDS REMAIN POSITIVE IN Q3 2018



Source: Thomson Reuters Lipper.

An investment in any FS Global Credit Opportunities Fund feeder fund (the Feeder Funds or Companies) 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 applicable Company carefully before investing. Investors should read and carefully consider all information found in the applicable Company's reports filed with the U.S. Securities and Exchange Commission (the SEC) before investing. Investors may obtain a copy of the these filings free of charge at www.fsinvestments.com or by contacting FS Investments at 201 Rouse Boulevard, Philadelphia, PA 19112 or by phone at 877-628-8575.

FSGCO's Feeder Funds outperformed high yield bonds and senior secured loans during the third quarter.[1,2,5,6]

Against the backdrop of stable corporate fundamentals and evolving interest rate concerns, investor demand for higher-yielding corporate credit investments improved during the third quarter. CCC-rated high yield bonds and CCC-rated senior secured loans returned 2.85% and 3.48%, respectively, during the third quarter, both of which built on the gains recorded during the first and second quarters.[3,4]

FSGCO highlights

Since FS Investments assumed all operational and management functions, FSGCO has focused on three key areas:

- First, the Fund has made significant progress toward its goal of rotating the portfolio out of investments that we believe have limited upside or are highly correlated to the broader high yield market and redeploying that capital into investments we believe offer the potential for strong returns and limited downside risk. We look for situations where yield premiums exist due to complexity, illiquidity or as a result of corporate events as opposed to elevated risk of loss.
- Second, FSGCO has focused on stabilizing and improving its distribution coverage. We expect the continued rotation of the portfolio into high-conviction investments and the optimization of FSGCO's borrowing facilities will help to improve distribution coverage over time.
- Finally, FSGCO has made meaningful progress toward optimizing its capital structure. Year to date, the Fund has closed on $200 million in term preferred shares. The financing provides the Fund with long-term capital and helps to better match the duration of the Fund's assets and liabilities.

These collective efforts are designed to increase the Fund's allocation to high-conviction investments, grow net asset value, reduce portfolio volatility and improve distribution coverage over time.

Performance review

By focusing on select opportunities, such as event-driven opportunities, special situations and market-price inefficiencies, we aim to build a portfolio that offers the potential for high total returns composed of both income and growth compared to traditional investment strategies.

The Feeder Funds' shareholder returns outperformed high yield bonds and senior secured loans and were in line with, or outperformed, CCC-rated high yield bonds during the third quarter of 2018.[1,2,4,5,6]

	Q3 2018[6]
FSGCO–A	3.2%
FSGCO–D	3.2%
FSGCO–T	2.9%
FSGCO–ADV	3.0%
FSGCO–T2	2.8%

	Q3 2018
High yield bonds[1]	2.4%
Senior secured loans[2]	1.9%
Value-based high yield bonds[3]	2.9%
Value-based senior secured loans[4]	3.5%

FSGCO's net asset value rose to $7.95 per share as of September 30, 2018, up from $7.86 per share as of June 30, 2018 and $7.89 per share as of September 30, 2017. The rise in the Fund's NAV during the three months ended September 30, 2018 was dispersed across several of the Fund's largest positions, representing a mix of both event-driven and opportunistic investments.

Net investment income of the Master Fund exceeded distributions in the third quarter. As adviser to the Fund, FS Global Advisor agreed to waive 0.50% of annual base management fees so that the annual base management fee is equal to 1.50%. The management fee waiver was effective January 1, 2018 and will remain in place for all of 2018. FS Global Advisor waived all incentive fees for the same 12-month period.

Investment activity

Investment activity focused on reducing smaller, high-beta investments and focusing on investments whose returns are more driven by idiosyncratic events in an effort to build a portfolio of differentiated value and reduce NAV volatility.

During the third quarter, FSGCO focused on investing at the top of the corporate capital structure as well as in floating rate debt. As of September 30, 2018, approximately 37% of the portfolio consisted of first-lien senior secured debt, up from 25% as of September 30, 2017. The allocations to unsecured bonds and equity were 21% and 8%, respectively, as of September 30, 2018, compared to 32% and 6%, respectively, as of September 30, 2017. Floating rate debt represented approximately 50% of the portfolio as of September 30, 2018, up from 36% as of September 30, 2017.

Amid yield compression in both the high yield bond and senior secured loan markets, we believe investing in a select number of value-based opportunities across the capital structure offers the potential for stronger risk-adjusted returns relative to today's low-yield market environment.

Conclusion

We will continue to seek out investments that offer the potential for higher return premiums while selectively rotating out of investments with a high correlation to the broader credit markets. Since assuming all operational and management functions, FSGCO has focused on rotating the portfolio out of investments we believe have limited upside potential, redeploying capital into high-conviction investments, stabilizing distribution coverage and optimizing the Fund's capital structure.

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 Credit Suisse Leveraged Loan Index.

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

4 Credit Suisse Leveraged Loan Index (CCC Rated or Below Component).

5 FS Global Credit Opportunities Fund's feeder funds described herein are FS Global Credit Opportunities Fund–A (FSGCO–A or Fund–A), FS Global Credit Opportunities Fund–D (FSGCO–D or Fund–D), FS Global Credit Opportunities Fund–T (FSGCO–T or Fund–T), FS Global Credit Opportunities Fund–ADV (FSGCO–ADV or Fund–ADV) and FS Global Credit Opportunities Fund–T2 (FSGCO–T2 or Fund–T2).

6 Shareholder returns shown are the total returns an investor received for the applicable period taking into account all distributions paid during such period, compounded monthly. The calculation assumes that the investor purchased shares for all Feeder Funds at their respective net asset values per share at the beginning of the applicable period, and in each case reinvested all cash distributions pursuant to the applicable Feeder Fund's distribution reinvestment plan (DRP). Valuation as of the end of each period is the redemption price pursuant to the applicable Feeder Fund's share repurchase program on such date. Shareholder returns do not include selling commissions and dealer manager fees, which could have totaled up to 8% of Fund–A's public offering price, up to 2% of Fund–D's public offering price, and up to 4% of Fund–T's and Fund–T2's public offering price. Also, for Fund–T and Fund–T2, shareholder returns do not include any applicable contingent deferred sales charge (CDSC). Had such selling commissions and dealer manager fees or the CDSC been included, performance would be lower. Upon liquidation or redemption, market conditions may cause the actual values to be more or less than the values shown.

The payment of future distributions on Fund–A's, Fund–D's, Fund–T's, Fund–ADV's and Fund–T2's common shares is subject to the discretion of their boards of trustees and applicable legal restrictions and, therefore, there can be no assurance as to the amount or timing of any such future distributions.

7 Thomson Reuters Lipper.

RISK FACTORS

Investments in the Fund are made indirectly through the Companies, which invest substantially all of the net proceeds from their public offerings in common shares of the Fund. The Fund is a separate non-diversified, closed-end management investment company that carries out the investment strategies generally described herein. An investment in the Companies involves a high degree of risk and may be considered speculative. The following are some of the risks an investment in the Companies' common shares involves; however, investors should carefully consider all of the risks discussed in the applicable Company's periodic reports filed with the SEC before deciding to invest in the common shares of such Company.

- An investment in the Companies' common shares is not suitable for an investor if they need access to the money they invest.
- Shareholders should consider that they may not have access to the money they invest for an indefinite period of time.
- Unlike an investor in most closed-end funds, the Companies' shareholders should not expect to be able to sell their common shares regardless of how the Companies perform.
- If a shareholder is able to sell their common shares, the shareholder will likely receive less than their purchase price and the then-current net asset value per common share.
- Investors in the common shares are subject to an annual distribution fee of up to 1.33%, in the case of Fund–T and Fund–T2, and 0.67%, in the case of Fund–ADV, based on the net asset value of the common shares, which began to accrue for shareholders of (i) Fund–T in July 2017, (ii) Fund–ADV in August 2017 and (iii) Fund–T2 in November 2017, and investors in Fund–T and Fund–T2 also will be subject to a contingent deferred sales charge if they tender their common shares for repurchase by such fund at any time prior to the third anniversary of the date on which the distribution fee began to accrue. The current contingent deferred sales charge for shareholders of (i) FSGCO–T is 0.67% and (ii) FSGCO–T2 is 1.00%.
- Unlike most closed-end funds, the Companies' common shares are not listed on any securities exchange, and the Companies intend to evaluate completing a liquidity event within seven years following December 12, 2013, the date on which FSGCO commenced investment operations. The distribution fee will terminate for all shareholders upon the occurrence of a liquidity event. As such, there may be a conflict of interest relating to the timing with which FS Global Advisor, LLC seeks to complete a liquidity event for shareholders.
- To provide shareholders with limited liquidity, the Companies intend to conduct quarterly repurchases of common shares. Although the Companies have implemented share repurchase programs, they may be discontinued at any time and only a limited number of common shares are eligible for repurchase. In addition, common shares of Fund–T and Fund–T2 may be subject to a contingent deferred sales charge.
- The Companies' 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 the Companies for investment. Any capital returned to shareholders through distributions will be distributed after payment of fees and expenses, as well as any applicable sales load.
- The Companies' and the Fund'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 the Companies' and the Fund's affiliate, Franklin Square Holdings, L.P. (FS Investments), and the Companies' and the Fund's future distributions may be funded from such waivers, reimbursements or payments. Significant portions of these distributions were not based on the Fund'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 the Companies' and the Fund's expenses, including through the waiver of certain advisory fees payable by the Fund, and make additional support payments, significant portions of the Companies' and the Fund'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 shareholders of the Companies would otherwise be entitled.
- Even if the Fund does eventually list its common shares, common shares of closed-end funds frequently trade at a discount to net asset value, and this creates a risk of loss for investors who purchase common shares at the offering price. This risk is separate and distinct from the risk that the Companies' net asset values will decrease.
- The Fund'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.
- The Fund'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.
- The Fund may invest in illiquid and restricted securities that may be difficult to dispose of at a fair price.
- The Fund's use of leverage could result in special risks for Fund shareholders, including the Companies, 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 the Fund.
- The Companies and the Fund have limited operating histories and each is subject to the business risks and uncertainties associated with any new business.
- The Fund seeks to achieve its investment objectives by focusing on a limited number of oppor-tunities across the investment universe.