INVESTMENTS®

Fund commentary

As of 12/31/2018

Class I: XFEYX

FS Energy Total Return Fund

Market review

- In the fourth quarter, energy benchmarks declined sharply as commodity fundamentals and general financial market sentiment turned negative.
- Midstream energy investments declined but outperformed other equities in the energy market such as the S&P 500 Energy Index and oilfield services. MLP and non-MLP infrastructure companies, which tend to trade with less commodity exposure, still each declined more than 15% despite generally positive earnings reports.[1]
- High yield energy credit declined as the weak commodity environment and the weakest quarter for the broader high yield market since 2015 combined to impact returns.[1]
- The S&P 500 Energy Index, which is more heavily weighted in exploration and production and service companies, fell 23.8% in Q4, its worst quarterly return since the financial crisis in 2008.[1]
- Commodity fundamentals deteriorated in the fourth quarter, as WTI crude prices fell to $45.44/bbl, a 38% drop since September and the largest quarterly price decline since 2014.[1] Crude weakness was driven by growing U.S. production, OPEC production growth ahead of anticipated crude oil sanctions placed on Iran by the U.S., waivers given to buyers of Iranian crude by the U.S., and broader fears of economic weakness in the U.S. and globally. In December, OPEC and Russia agreed to cut production by 1.2 million barrels per day.[2]

Fund commentary

FS Energy Total Return Fund Class I shares at net asset value (NAV) decreased by 19.47% for the quarter, outperforming the S&P 500 Energy Index while underperforming the ICE BofAML U.S. High Yield Energy Index, Alerian Midstream Energy Select Index and Alerian MLP Index. The fund is outperforming both Alerian indices on an inception-to-date basis, while it has underperformed high yield energy and large-cap energy equities since inception.

Performance (total returns)[3]	QTD	YTD	1 year	Since inception
XFEYX (inception 3/15/17)	**-19.47%**	**-15.54%**	**-15.54%**	**-9.05%**
AMEIX (Alerian Midstream Energy Select Index)	-16.28%	-17.67%	-17.67%	-9.72%
AMZX (Alerian MLP Index)	-17.30%	-12.42%	-12.42%	-11.47%
S&P 500 Energy Index	-23.78%	-18.10%	-18.10%	-6.58%
ICE BofAML U.S. High Yield Energy Index	-9.77%	-6.37%	-6.37%	0.63%

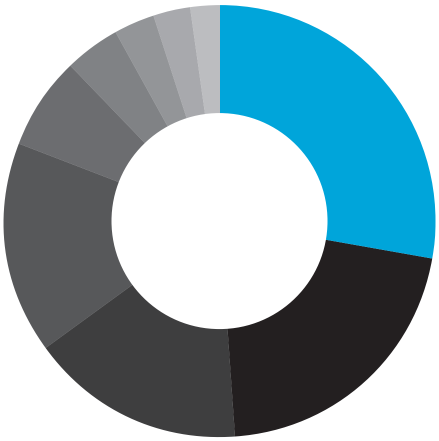
The fund is a non-diversified closed-end interval fund.

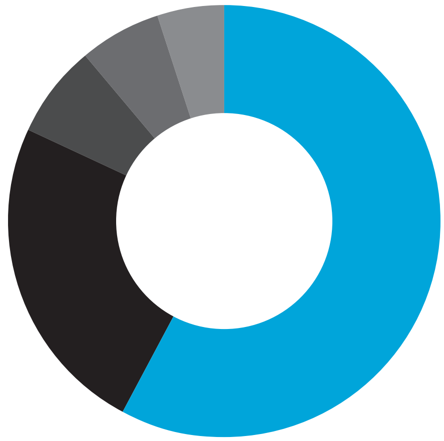
*The net expense ratio, excluding estimated interest expense associated with expected use of leverage, for Class I is 1.75%.**

Performance data quoted is past performance and is no guarantee of future results. Class I Shares have no sales charges; therefore, performance is at NAV. Returns less than one year are cumulative; all others are annualized. QTD and YTD information is provided on a calendar year basis. Total return figures reflect changes in share price and reinvestment of dividend and capital gain distributions. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost, and current performance may be lower or higher than the performance quoted. For performance data on all share classes current to the most recent month-end, please call 877-628-8575 or visit our website at www.fsinvestments.com. The benchmarks are shown for illustrative purposes only. An investment cannot be made directly in an index. The fund's actual investments and performance may differ substantially from those of the indices presented. See index definitions on the next page.

*Calculated as a percentage of average net assets attributable to shares for the 12 months ended February 28, 2019. If the estimated interest expense associated with the fund's use of leverage is included, the net expense ratio is expected to be 2.74% for Class I Shares. The fund's actual expenses may be different than the estimates above. The calculations also take into account the fee waiver and/or expense reimbursement during such time period. FS Energy Advisor, LLC, the fund's investment adviser, has entered into an expense limitation agreement with the fund under which it has agreed to pay or waive the "ordinary operating expenses" (exclusive of (1) investment advisory fees, (2) portfolio transaction and other investment-related costs, (3) interest expense and other financing costs, (4) taxes, (5) distribution or shareholder servicing fees and (6) extraordinary expenses) of the fund attributable to a share class to the extent that such expenses exceed (a) 0.00% per annum of the fund's average daily net assets attributable to the applicable share class until March 8, 2018 and (b) 0.25% per annum of the fund's average daily net assets attributable to the applicable share class thereafter. The expense limitation agreement will continue indefinitely until terminated by the fund's Board on written notice to FS Energy Advisor. The expense limitation agreement permits the adviser to recoup the amounts it has paid or waived pursuant to the agreement in the future, subject to certain limitations.

Portfolio allocations





Composition

Gathering & processing	28%
Pipeline transportation (natural gas)	21%
Pipeline transportation (petroleum)	16%
Integrated	16%
Utility	7%
Services & equipment	4%
Exploration & production	3%
Downstream	3%
Marine transportation (LNG)	2%

Asset class

Common equity	58%
MLP equity	24%
Subordinated debt	7%
Senior secured loans	6%
Preferred equity	5%

Index definitions

Alerian Midstream Energy Select Index is a composite of North American energy infrastructure companies and is a capped, float-adjusted, capitalization-weighted index, whose constituents are engaged in midstream activities involving energy commodities.

Alerian MLP Index is the leading gauge of energy master limited partnerships (MLPs) and is a capped, float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization.

S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the Global Industry Classification Standard (GICS) energy sector.

ICE BofAML U.S. High Yield Energy Index is designed to track the performance of U.S. dollar-denominated high yield rated corporate debt publicly issued in the U.S. domestic energy market.

Performance contributors

- Utilities were the only positive category for the fund in the fourth quarter, contributing 0.68% to the quarterly return while making up approximately 7% of the total portfolio. This sector acted as a defensive allocation during a poor quarter for the energy market.
- While each asset class allocation generated a negative return in the fourth quarter, preferred equity exposure helped to mitigate deeper declines felt in other asset classes, such as MLPs.
- The top positive contributors to performance for the quarter included two utility companies, a downstream firm and one midstream MLP investment.
- AltaGas Canada Inc. (ACI) was the top contributor for the fund in the fourth quarter, increasing 12.62% by year-end since its initial public offering on October 25. ACI operates utilities and power assets in Canada and was previously part of AltaGas Ltd. (ALA), which continues to hold a large minority stake in ACI.

Top contributors	% of portfolio
1 AltaGas Canada Inc.	3.9%
2 Dominion Energy, Inc.	0.0%
3 Antero Midstream GP LP	2.5%
4 CenterPoint Energy, Inc.	2.8%

Performance detractors

- Each asset class allocation detracted from performance during the fourth quarter, as the sell-off in energy was broad-based. The fund's MLP exposure, which makes up 24% of the portfolio, was the leading decliner during the fourth quarter and moderately underperformed the Alerian MLP Index.
- Eight of the nine sub-sector categories saw negative returns in the fourth quarter, with gathering and processing (G&P) companies contributing approximately 36% of the overall decline. G&P profitability can have greater sensitivity to commodity prices and, as a result, may track commodity prices more closely than other midstream subsectors.
- Two G&P firms, Targa Resources Corp. (TRGP) and The Williams Companies, Inc., were the top detractors for the fourth quarter. The fund's four integrated allocations, which make up approximately 16% of the portfolio, detracted 3.50% from the quarterly return as oil prices dipped below $50/bbl.[1]
- TRGP operates natural gas G&P assets and is also involved in the fractionation and transportation of natural gas liquids (NGLs). The holding detracted 1.89% from Q4 fund performance, having been dragged downward due to G&P weakness and its relatively high leverage versus peers. We continue to hold TRGP because of its compelling growth outlook driven by large growth projects, an increasingly integrated footprint and its position servicing some of the most economic basins in the U.S., especially the Permian basin.

Top detractors	% of portfolio
1 Energy Transfer LP	7.4%
2 Targa Resources Corp.	3.3%
3 The Williams Companies, Inc.	5.8%
4 Weatherford International	0.0%
5 Andeavor Logistics LP	2.1%

The securities identified do not represent all of the securities purchased, sold or recommended. Holdings as of December 31, 2018 are subject to change and any statement about a company is not an endorsement or recommendation to buy or sell any security. Past performance does not guarantee future results.

Positioning and outlook

- The midstream sector finished a volatile year with its worst quarter, as the AMEIX and AMZX finished down 16.28% and 17.30%, respectively. The energy sector has been hit by a precipitous drop in crude oil prices and increasingly volatile financial markets, and consequently each energy index finished down for the year.[1]
- We continue to believe midstream companies offer uniquely attractive potential for yield and price appreciation. At current yields of 6.8% and 8.9% for the AMEIX and AMZX, respectively, we believe the sector offers attractive and stable income. Additionally, current EV/EBITDA ratios are significantly below five-year averages, highlighting the capital appreciation potential for a space with strong recent earnings that belie the recent market sell-off.[4]
- We remain focused on midstream companies that we believe are well-positioned in low-cost basins, show strong distribution coverage and exhibit alignment of interests between shareholders and management. Additionally, in an increasingly volatile energy sector, the fund's flexible mandate gives it the ability to seek returns across the entire energy value chain.
- During the quarter, we increased the allocation to credit from 16.1% to 18.4% in order to mitigate downside risk during a volatile quarter. We also moderately increased exposure to utilities, which can outperform during periods of market stress.

Share classes

Class I	Class A	Class L	Class M	Class T
TICKER XFEYX	**TICKER** XFEAX	**TICKER** XFELX	**TICKER** XFEMX	**TICKER** XFETX
CUSIP 302682109	**CUSIP** 302682208	**CUSIP** 302682505	**CUSIP** 302682604	**CUSIP** 302682406

Definition

EV/EBITDA is a valuation metric that measures the ratio of a company's enterprise value to its annual EBITDA (earnings before interest, taxes, depreciation and amortization).

1 Bloomberg, as of December 31, 2018.

2 Energy Information Administration, as of December 2018.

3 The since-inception total return for each of the benchmarks is calculated from the fund's Class I inception date, not the inception date of the benchmark.

4 Bloomberg, as of December 31, 2018. EV/EBITDA represents trailing 12-month ratio of enterprise value to EBITDA.

Securities offered through ALPS Distributors, Inc. (1290 Broadway, Suite 1100, Denver, CO 80203, member FINRA), the distributor of FS Energy Total Return Fund. FS Investment Solutions, LLC is an affiliated broker-dealer that serves as the exclusive wholesale marketing agent for FS Energy Total Return Fund. FS Investment Solutions, LLC and ALPS Distributors, Inc. are not affiliated.

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

Investing in the Fund involves risk, including the risk that a shareholder may receive little or no return on their investment or that a shareholder may lose part or all of their investment. Investments in natural resource companies, MLPs, royalty trusts, equity securities (including dividend-paying securities, private investment in public equity transactions and securities of smaller capitalization companies), debt instruments, high yield instruments and U.S. government debt securities; energy commodity prices and the volume of, and demand for, energy commodities; the highly cyclical nature of the natural resource and energy sectors; fluctuations of interest rates; investments in non-U.S. securities and securities denominated in foreign currencies and the economic impact on the Fund's fixed income investments and investments in illiquid and restricted securities may create such risk. An investment in shares should be considered only by investors who can assess and bear the illiquidity and other risks associated with such an investment.

Other risks relating to the Fund include risks resulting from: the Fund's lack of operating history; the recently established relationship between FS Energy Advisor, LLC and Magnetar Asset Management LLC, as well as each entity's limited experience in advising or sub-advising a registered investment company (RIC); the Fund's long-term investment horizon, management and dependence on key personnel; the liquidity risks associated with the Fund's closed-end interval fund structure; risks related to regulatory changes impacting investments in commodities and derivatives; the anti-takeover provisions in the Fund's declaration of trust and bylaws; the Fund's status as a non-diversified investment company; and the Fund's status as a RIC for U.S. federal income tax purposes.

No secondary market is expected to develop for the Fund's common shares; liquidity for the common shares will be provided only through quarterly repurchase offers for no less than 5% and no more than 25% of the common shares at NAV, and there is no guarantee that an investor will be able to sell all the common shares that the investor desires to sell in the repurchase offer. Due to these restrictions, an investor should consider an investment in the Fund to be of limited liquidity.

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