INVESTMENTS®

Fund commentary

As of 12/31/2018

unless otherwise noted

Class I: FCRIX

FS Credit Income Fund

A multi-sector alternative income fund

Performance (total returns)[1]

	QTD	YTD	1 year	Since inception
FCRIX (inception 11/1/2017)	**-5.33%**	**1.19%**	**1.19%**	**2.33%**
Bloomberg Barclays U.S. Aggregate Bond Index	1.64%	0.01%	0.01%	0.29%
S&P/LSTA Leveraged Loan Index	-3.45%	0.44%	0.44%	0.82%
ICE BofAML U.S. High Yield Index	-4.67%	-2.26%	-2.26%	-1.93%

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 1.85%.**

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 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. 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 last page.

*Calculated as an estimated percentage of average net assets attributable to shares. If the estimated interest expense associated with the fund's use of leverage is included, the estimated net expense ratio would be 2.34% 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 Credit Income 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" of the fund to the extent that such expenses exceed 0.25% per annum of the fund's average daily net assets attributable to the applicable share class of the fund. Ordinary operating expenses exclude (1) investment advisory fees, (2) portfolio transaction and other investment-related costs, (3) interest expense and other financing costs, (4) taxes, (5) distribution and shareholder servicing fees and (6) extraordinary expenses of the fund. The expense limitation agreement will continue indefinitely until terminated by the Board on written notice to FS Credit Income 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. For full detail on FS Credit Income Fund's fees and expenses, please review the fund's prospectus.

Quarterly commentary

During the quarter, high yield bond and senior secured loan indices declined significantly alongside the worst quarter for the S&P 500 since 2011.[1,2] Concerns about global growth and international trade tensions, combined with uncertainty regarding the U.S. Federal Reserve interest rate outlook, contributed to a reduction in 10-year U.S. Treasury rates from 3.06% to 2.68% during the quarter, boosting the Bloomberg Barclays U.S. Aggregate Bond Index (Barclays Agg).[1] For the year, senior secured loans still managed a positive return despite the weak fourth quarter while high yield bonds registered only their sixth negative annual return of the past 25 years.[2,3] The Barclays Agg finished up 0.01% as fourth quarter gains offset losses incurred in the first and second quarters of the year.[1]

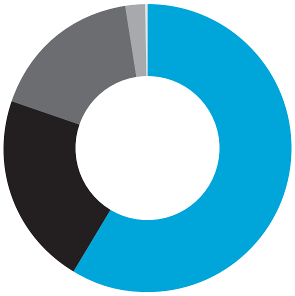
The worst quarter for the S&P 500 since 2011 and the worst monthly return in December since 2009 set a difficult backdrop for credit markets. Stable economic growth in the U.S. and current and expected low default rates for high yield bonds and senior secured loans were not sufficient to sustain the positive momentum from the third quarter. This is most evident in retail investor outflows from both asset classes, which set various records in the fourth quarter. High yield bonds nearly matched the largest annual outflow on record through the first nine months of 2018 before suffering from the second largest quarterly outflow on record in the fourth quarter, cementing 2018 as the worst in history for the asset class.[4] Loans, which had posted three consecutive quarters of inflows, suffered their worst quarterly outflow on record in the fourth quarter, reversing all of the inflows on the year.[4] Falling bond and loan prices that were sustained as a result of selling pressure ultimately resulted in high yield bonds and senior secured loans posting their worst quarterly returns since the third quarter of 2015 and 2011, respectively.

At the start of the fourth quarter, 10-year U.S. Treasury rates continued to rise and peaked at 3.24%, their highest level since 2011.[1] However, as selling pressure in equities and credit intensified, the 10-year rallied and rates reached a low of 2.70% by the end of the quarter. Buoyed by declining rates, the more duration-sensitive Barclays Agg gained 1.64%.[1]

Strength in the U.S. dollar and continued concerns about global growth and geopolitical trade tensions weighed on markets outside the U.S. Europe and broader emerging markets generated negative returns, with the European high yield market posting its worst quarterly and annual returns since 2011.

Portfolio allocation by asset type

All of the fund's asset types detracted from performance in the fourth quarter. The fund's bond allocation was the primary detractor in the quarter, followed by loans, structured products, emerging markets and other.



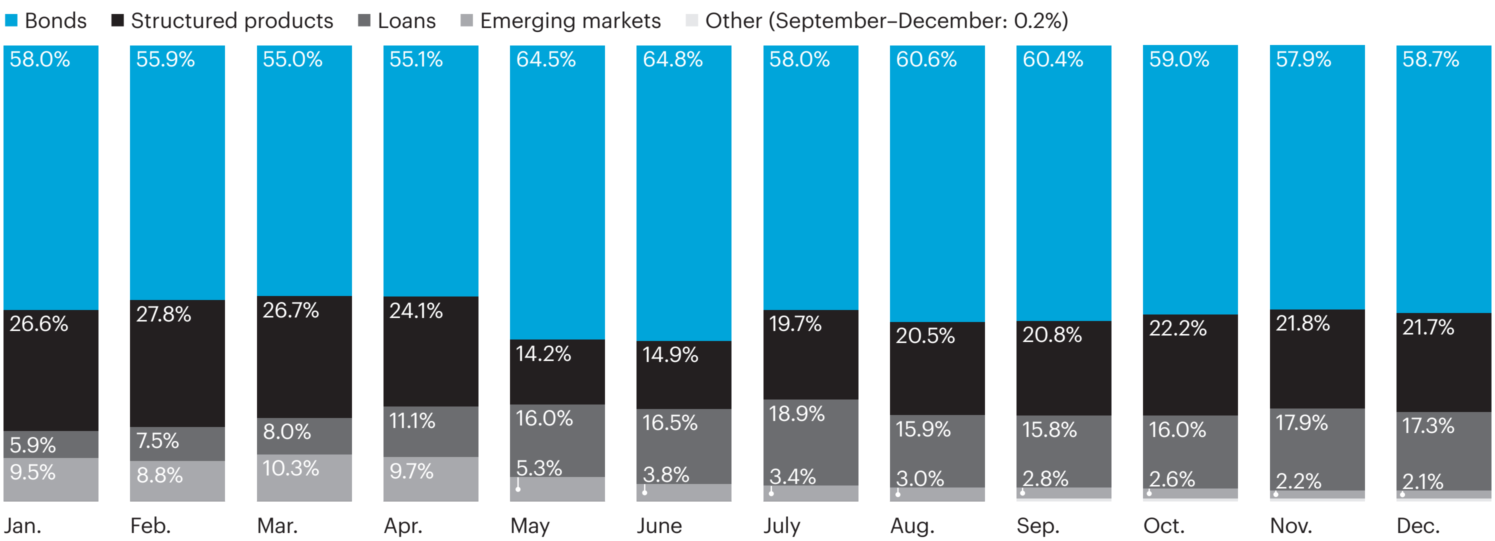
Asset type	Composition	Performance contribution
Bonds	58.7%	Negative
Structured products	21.7%	Negative
Loans	17.3%	Negative
Emerging markets	2.1%	Negative
Other	0.2%	Negative

Portfolio allocation by geography

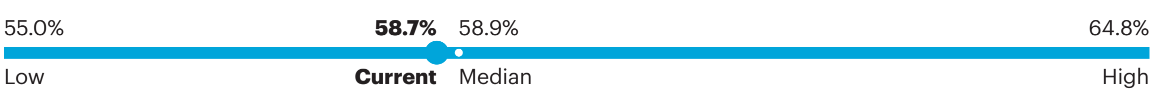
As a percentage of invested assets since fund inception (11/1/2017), as of 12/31/2018.

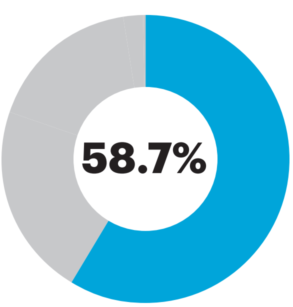
Region	Current	Low	Median	High
North America	70%	67%	70%	75%
Europe	26%	14%	21%	26%
South America	2%	2%	4%	10%
Other	2%	2%	4%	8%

Sector allocations by month



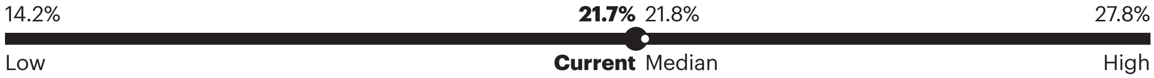
BONDS

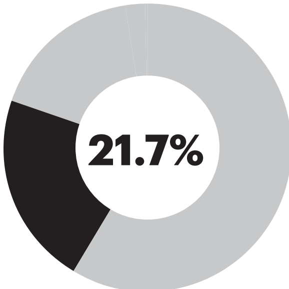




- Bonds were the largest detractor to performance in the fourth quarter as the fund's bond allocation moderately underperformed the high yield market. Despite weakness in the fourth quarter, the fund's bond allocation significantly outperformed the high yield market for the year and was the largest positive contributor to returns.
- Positive return contributors included a bond investment in an investment grade rated European financials company. The bonds traded lower alongside the broader sector early in the quarter, providing an attractive entry point for the fund. Subsequently, the bonds traded higher in December amid a decreased probability of a hard Brexit, as well as what we believe was increased investor demand for high-quality companies with strong fundamentals.
- The fund's top performer for the year, a sovereign bond position, was its leading detractor in the fourth quarter. We believe weakness during the quarter was primarily attributable to the general sell-off in the market, and the fund continues to hold a meaningful position in the credit.
- While the fund's bond allocation fell slightly during the quarter, bonds remain the fund's largest allocation by asset type. With return potential enhanced by the volatility in the fourth quarter, we continue to believe in the ability of this allocation to offer both higher income and opportunities for idiosyncratic returns. We generally continue to favor short-duration high yield bonds, to minimize interest rate related risk, and companies with positive operating fundamentals.

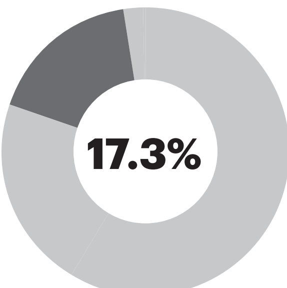
STRUCTURED PRODUCTS





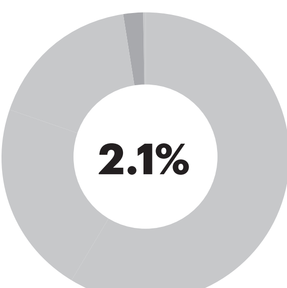
- Structured products were a negative contributor to the fund's performance in the fourth quarter, although the fund's exposure outperformed a benchmark for CLO securities. For the year, structured products were the fund's third largest positive contributor to returns and materially outperformed its CLO benchmark.
- The fund's CLO debt positions traded lower in sympathy with spread widening in the market for CLO liabilities. We generally continue to favor shorter-duration CLOs that are nearer to the end of their reinvestment period, at which point they begin to delever and may experience an improving margin of safety.
- The fund continued to take advantage of weakness in the structured products market and slightly increased its structured products exposure in the fourth quarter. We believe these investments offer the ability to generate moderate levels of income with the potential for capital appreciation while benefiting from significant collateral and downside protection.

LOANS



- Loans were a negative contributor to performance in the fourth quarter, and the fund's loan allocation declined roughly in line with the broader senior secured loan market. However, for the year, the fund's loan allocation significantly outperformed the senior secured loan market and was the fund's second largest contributor to positive returns.
- The fund's top performer for the quarter was a new issue loan to a commodity mining company. Given weak sentiment in the new issue loan market, the loan was issued with a large original issue discount and stronger covenants compared to other new issues, which we believe provided the investment with a higher margin of safety. In our view, the loan offered significant collateral protection at a favorable yield, and it subsequently traded higher during the fourth quarter despite the broader weakness in the market.
- Performance was negatively impacted by an energy company that traded lower during the quarter. There was no notable company news, and we believe the position traded off in sympathy with declines in the broader market.
- The fund's modest increase in its loan allocation was the largest asset class increase during the quarter, taking advantage of volatility to source high-quality positions at attractive valuations. We continue to like loans given their low sensitivity to changes in interest rates and their potential to help manage risk due to their seniority in a company's capital structure. We remain focused on individual positions that offer the potential for attractive income and catalyst-driven upside events.

EMERGING MARKETS



- Emerging markets exposure concluded a difficult 2018 with further declines in the fourth quarter and detracted from the fund's performance. For the year, the fund's emerging markets allocation was the sole negative detractor.
- The fund's holdings within emerging markets consist of a very select number of holdings and do not represent a broad-based allocation to the asset class. While 2018 was a challenging year for emerging markets, one of the fund's emerging markets positions was actually its second largest contributor to positive returns for the year.
- The fund's exposure to emerging markets decreased further in the fourth quarter and is now at its lowest level of the year. We continue to believe that select individual investments within the asset class offer the potential for attractive, low-correlated returns. However, we are mindful of challenges to global growth and will continue to take a prudent approach to potentially increasing our exposure in the coming year.

Pie charts represent fund allocations for December 2018. Bar charts containing the low, high, median and current fund allocations per sector are year to date, as of December 31, 2018.

1 Bloomberg, as of December 31, 2018.

2 ICE BofAML U.S. High Yield Index, as of December 31, 2018.

3 S&P/LSTA Leveraged Loan Index, as of December 31, 2018.

4 Thomson Reuters Lipper.

Share classes

Class I	Class A	Class L	Class M	Class T
TICKER FCRIX	**TICKER** FCREX	**TICKER** FCRLX	**TICKER** FCRMX	**TICKER** FCRTX
CUSIP 30300R203	**CUSIP** 30300R104	**CUSIP** 30300R302	**CUSIP** 30300R401	**CUSIP** 30300R500

Outlook

While the fourth quarter posed a number of challenges given the broad sell-off in equity and fixed income markets, we continue to have a favorable outlook regarding the potential for returns in bond, loan and structured products markets. Continued economic growth in the U.S. combined with favorable corporate fundamentals and low expected default rates creates, in our view, a favorable environment for credit investors. Fourth quarter volatility drove significant spread widening across the fund's asset class exposures, and we took advantage of the sell-off to add to new and existing positions at what we believe are attractive valuations.

We remain focused on idiosyncratic opportunities in catalyst-driven situations across asset classes. Ultimately, we believe this will allow the fund to identify investments with attractive income and growth potential with an emphasis on investments that have limited correlation to the broader fixed income markets over the long term.

We believe that the fund continues to be attractively positioned as an alternative to core fixed income allocations. We anticipate maintaining the fund's allocation to low-duration assets in order to help minimize the portfolio's sensitivity to changes in interest rates while seeking investments that generate an attractive level of income.

We are maintaining our flexible, actively managed approach, seeking to access differentiated sources of income[5] and return in the credit markets.

5 Differentiated sources of income refers to non-core fixed income investments (including, but not limited to, emerging market government debt, high yield bonds, emerging market corporate debt and structured products). The yield of these investments may be higher than those of core fixed income investments (including, but not limited to, U.S. Treasuries, investment grade corporate bonds and U.S. municipal bonds). Investing in non-core asset classes may carry increased risks as compared to core fixed income assets, including credit risk and liquidity risk.

GLOSSARY OF TERMS

10-Year U.S. Treasury rate is the yield on a U.S. government-issued debt security with a maturity of 10 years. It is often used as a benchmark for yields on major fixed income securities. **Correlation** is a statistic that measures the degree to which two securities move in relation to each other. **Credit spread** is the difference in yield between a "risk-free" rate (usually U.S. Treasuries) and a bond with a similar maturity but lesser credit quality. **Duration** is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates, expressed as a number of years. **Margin of safety** is a principle of investing in which an investor only purchases securities when their market price is significantly below their intrinsic value. **Structured products** may include, but are not limited to, collateralized loan obligations, trust preferred CDOs (TruPS CDOs), residential mortgage-backed securities and other asset-backed securities.

INDEX DEFINITIONS

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). **ICE BofAML U.S. High Yield Index** is designed to track the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market. **S&P/LSTA Leveraged Loan Index** is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market.