FS INVESTMENTS®

Fund commentary

Q3 2024

FS Credit Opportunities Corp.

Summary

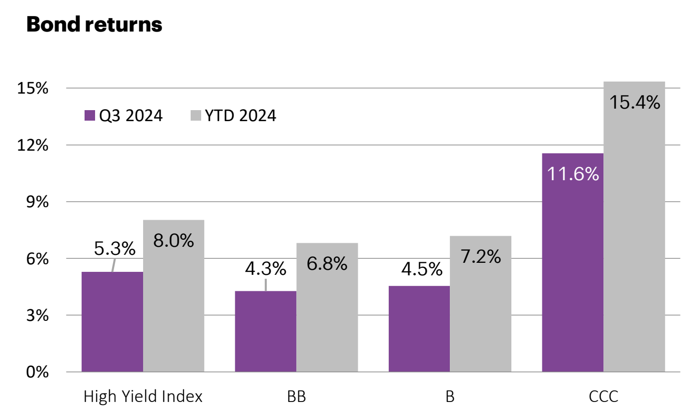
- FS Credit Opportunities Corp. ("FSCO" or the "Fund") generated a net return of 3.35% during the third quarter of 2024 driven by distributions of $0.18 per share and appreciation in net asset value ("NAV") of $0.06 per share.[1,2] Year-to-date, the Fund has returned 12.31% based on NAV.[2]
- FSCO outperformed the senior secured loan index by 131 basis points ("bps") during the third quarter and underperformed the high yield index by 193bps. Year to date, the Fund outperformed both the loan and high yield bond indexes by 577bps and 426bps, respectively.[2,3,4]
- The Fund remained fully invested throughout the quarter. Purchases excluding portfolio hedges totaled approximately $270 million, compared to sales, exits and paydowns of approximately $233 million. Investment activity was weighted to private, senior secured investments as we believe private markets offer greater potential risk-adjusted returns in the current environment compared to public markets.
- As of September 30, 2024, the Fund offered an attractive, fully covered annualized distribution yield of approximately 10.00% based on NAV and 11.34% based on the stock price.[1] We believe this is attractive on an absolute and relative basis compared to our closed-end fund peers when considering distribution coverage.

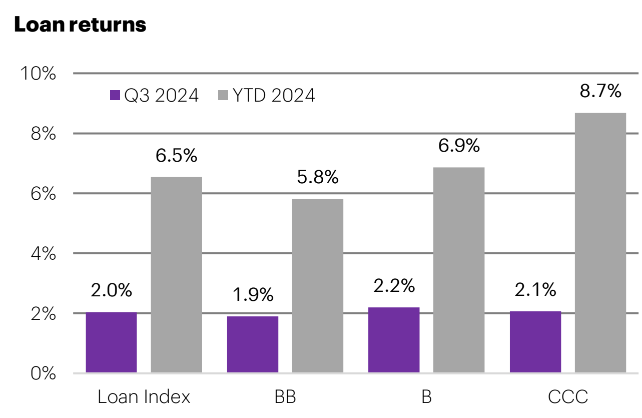
Market review

The third quarter of 2024 provided a solid backdrop for investors. Economic growth continued to be driven by strong consumer spending, while inflation moderated to 2.4% as of September 2024. Fed policymakers enacted a large 50 basis point rate cut at their September meeting, the first rate cut in more than four years and a seminal milestone in the Fed's fight against inflation. Treasury yields declined across the curve during the quarter as the policy-sensitive 2-year yield fell -112bps while the 10-year yield declined -61bps. The Bloomberg U.S. Aggregate Index, a proxy for traditional fixed income portfolio, returned 5.20% as falling yields boosted prices. However, over the last five years the index returned just 0.33% amid significant interest rate volatility.

Credit markets benefited from the supportive macro backdrop coupled with a constructive, if softening, fundamental picture. Amid the declining rate environment, high yield bonds returned 5.28% and outperformed senior secured loans by 324bps.[3,4] Lower-rated credit drove high yield returns as CCC rated bonds returned 11.55% during the quarter, outpacing BB-rated bonds by 727bps.[5] Despite the decline in rates, loan prices were supported by strong demand from collateralized loan obligations ("CLOs"). Loan performance was mixed as B-rated loans (+2.20%) led BB- and CCC-rated loans, which returned 1.9% and 2.1%, respectively.[6]

High yield bond and senior secured loan total returns by rating





Source: ICE BofAML High Yield Master II Index, Morningstar LSTA US Leveraged Loan Index, as of September 30, 2024.

An investment in FS Credit Opportunities Corp. 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. Investors should read and carefully consider all information found in the Fund's reports filed with the U.S. Securities and Exchange Commission (the SEC) before investing.

Year to date, the Fund has outperformed the loan and high yield bond indexes by 577bps and 426bps, respectively.[2,3,4]

Performance review

FSCO generated a net return of 3.35% during the third quarter of 2024, outperforming the senior secured loan index by 131bps and underperforming the high yield bond index by 193bps.[2,3,4] Fund performance was driven by distributions of $0.18 per share and NAV appreciation of $0.06 per share.[1,2] Distributions were fully funded through net investment income as has been the case since the FS Global Credit Team assumed management of FSCO in January 2018.[1] As of September 30, 2024, the Fund's annualized distribution yield was 10.00% based on NAV, and approximately 11.34% based on the stock price.[1]

Year to date, the Fund has returned 12.31% based on NAV and 22.12% based on stock price as of September 30, 2024.[2] Based on either metric, FSCO has outperformed both the high yield bond and senior secured loan indexes year to date.

Portfolio contributors far outweighed detractors during the third quarter as performance was broad-based across the portfolio, as has been the case throughout the year. The top 10 contributors, based on issuer, accounted for 49% of the Fund's total return during the quarter. Amid the strong environment for risk assets that prevailed during the third quarter, these contributions were partially offset by equity portfolio hedges that were designed to mitigate portfolio risk during volatile markets.

Since FSCO listed its common shares on the New York Stock Exchange ("NYSE") in November 2022, the discount at which the stock has traded to its NAV has significantly narrowed to approximately 7% as of November 22, 2024. We believe the continued improvement reflects the Fund's strong performance, the health of the portfolio and the broader market strength during the past several quarters.

Total returns	**Q3 2024**	**YTD 2024**
FSCO*[2]	3.4%	12.3%
High yield bonds[3]	5.3%	8.0%
Senior secured loans[4]	2.0%	6.5%

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

Investment activity

The Fund remained fully invested during the third quarter, driven by a healthy pipeline of private and public investments that we believe feature attractive yields and strong covenants. Purchases excluding portfolio hedges totaled approximately $270 million compared to sales, exits and repayments of $233 million.[7]

Approximately 59% of new investment activity was in privately originated investments, 100% of which were in first lien senior secured loans. Public credit investments represented approximately 41% of purchases during the quarter, nearly two-thirds of which (65%) were in first lien loans.

Portfolio activity during recent quarters has been tilted toward private middle market companies, across sponsored and non-sponsored investments where we believe we can drive better deal terms for our investors, including wider spreads and stronger covenants compared to public markets, where spreads have tightened meaningfully year to date while lender protections have become notably looser.

We focus on lower and core middle market companies where there tends to be less competition from traditional lenders since the balance sheets of these businesses oftentimes don't neatly fit into the standardized underwriting criteria for banks. As a result, there is typically a greater ability to control deal terms and create highly structured investments to protect against downside risks.

As of September 30, 2024, approximately 82% of the portfolio consisted of senior secured debt, compared to 83% the previous quarter. The Fund's allocation to subordinated debt was 6%, compared to 4% as of June 30, 2024. Asset-based finance represented 3% of the portfolio as of September 30, 2024, down from 4% as of June 30, 2024 while equity/other investments represented 9%, unchanged from a quarter earlier. Amid the declining yield environment during the third quarter, the portfolio was more heavily weighted toward private credit investments (58%) compared to public credit (42%) as of September 30, 2024. As of June 30, the portfolio was comprised of 52% private credit and 48% public investments.

As noted, our dynamic strategy provides the flexibility to invest across public and private credit based on what we believe are the best risk-adjusted return opportunities. Our current areas of focus include:

- High quality, defensive investments: We continue to defensively position the portfolio by adding what we believe are higher-quality investments that have low default risk with solid covenants given the competitive environment across credit markets.
- Private structured solutions: We remain focused on financings to unconventional credit profiles that are outside of the focus of banks, traditional business development companies ("BDCs") and other conventional lenders. Examples include transitional lending, lending to out-of-favor industries and companies, and non-sponsored lending. We believe our ability to structure highly customized solutions for our borrowers is differentiated in the marketplace and offers the potential for attractive total returns, especially as regulatory restrictions limit bank lending to companies with conventional credit profiles, and private debt strategies become more streamlined with respect to investment terms and structures.
- Public credit markets: Within public credit, our focus is on event-driven and opportunistic performing credit, as opposed to highly liquid credits commonly found in high yield funds and CLOs. Periods of market volatility often create attractive entry points for select public credits that we believe can compete with the yields offered in the private credit markets.

Outlook

Treasury yields steadily fell for most of the past two quarters but began to retrace their decline in mid-September and continued to rise in the weeks after quarter end, driven by resilient economic data and sticky inflation. Against this backdrop, we believe financial markets remain susceptible to additional bouts of volatility through the remainder of the year as investors continue to monitor geopolitical conflicts and wrestle with the forward path of U.S. rates, the U.S. economy and the economic implications of the U.S. presidential election.

Within this environment, we believe active management combined with sound fundamental credit underwriting will remain critical to driving returns and avoiding excess risk. We believe the flexibility of our strategy and the expertise of our team have helped drive strong outperformance versus the loan and high yield bond indexes, and that FSCO offers a differentiated value proposition built to drive strong risk-adjusted returns through a diverse range of economic and financial market conditions.

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

Effective March 23, 2022, the Fund has been renamed FS Credit Opportunities Corp. Prior to that date, the Fund operated under the name FS Global Credit Opportunities Fund.

1 The payment of future distributions on FSCO's common shares is subject to the discretion of FSCO's board of directors and applicable legal restrictions and, therefore, there can be no assurance as to the amount or timing of any such future distributions.

2 The total return for each period presented is historical and is calculated by determining the percentage change in NAV, assuming the reinvestment of all distributions in additional common shares of the Fund at the Fund's NAV per share as of the share closing date occurring on or immediately following the distribution payment date. The total return does not consider the effect of broker sales charges, commissions or dealer manager fees, as applicable, in connection with the purchase or sales of Fund shares and includes the effect of any expense reductions.

3 Morningstar LSTA US Leveraged Loan Index.

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

5 ICE BofAML U.S. High Yield CCC Rated or Below Index, ICE BofAML U.S. High Yield BB Index.

6 Morningstar LSTA US Leveraged Loan Index by ratings category.

7 Figure excludes approximately $19 million in short sales during the third quarter of 2024.

RISK FACTORS

FS Credit Opportunities Corp. ("FSCO" or the "Company") is a non-diversified, closed-end management investment company that carries out the investment strategies generally described herein. An investment in FSCO involves a high degree of risk and may be considered speculative. The following are some of the risks an investment in the shares of common stock of the Company (the "Shares") involves; however, investors should carefully consider all of the risks discussed in FSCO's reports filed with the U.S. Securities and Exchange Commission (the "SEC") before deciding to invest in the Shares. Investors may obtain a copy of 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.Shareholders of the Company (the "Shareholders") should consider that an investment in the Shares may result in loss of principal.

• Shareholders of the Company (the "Shareholders") should consider that an investment in the Shares may result in loss in principal.

• When a Shareholder sells their Shares, the Shareholder may receive less than their purchase price and the then-current net asset value ("NAV") per Share.

• Shares of closed-end funds frequently trade at a discount to NAV and this creates a risk of loss for investors who purchased Shares at the time of listing on the New York Stock Exchange. This risk is separate and distinct from the risk that FSCO's NAV will decrease.

• FSCO's distributions may be funded from unlimited amounts of offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to FSCO for investment. Any capital returned to Shareholders through distributions will be distributed after payment of fees and expenses, as well as the sales load.

• Senior secured debt is backed by a borrower's assets or cash flows and has the highest repayment priority. However, rising interest rates can increase loan defaults, and there's no guarantee of full repayment after a default, especially if collateral values drop. Additionally, security for these investments may not be recognized if required filings are not made, which may affect priority over other creditors.

• FSCO'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.

• FSCO'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.

• FSCO may invest in subordinated debt, which is subordinated in payment and/or lower in lien priority relative to first lien holders, and in the event of a default on such subordinated debt, first lien holders would have a first claim to the underlying collateral.

• Below investment grade instruments (commonly referred to as "high yield" securities or "junk bonds") may be particularly susceptible to economic recessions or downturns, which could cause losses.

• FSCO may invest in illiquid and restricted securities that may be difficult to dispose of at a fair price.

• FSCO's use of leverage could result in special risks for the Shareholders and can magnify the effect of any losses.

• Investments in certain securities or other instruments of non-U.S. issuers or borrowers may involve factors not typically associated with investing in the United States or other developed countries.

• Securities or other instruments of non-U.S. securities may be traded in underdeveloped, inefficient and less liquid markets and may experience greater price volatility, illiquidity and changes in value.

• FS Global Advisor, LLC and certain of its affiliates may experience conflicts of interest in connection with the management of FSCO.

• FSCO seeks to achieve its investment objectives by focusing on a limited number of opportunities across the investment universe.

• Certain local, regional or global events such as war (including Russia's invasion of Ukraine and the Israel-Hamas war), acts of terrorism, the spread of infectious illnesses and/or other public health issues, or other events may have a significant impact on a security or instrument and may adversely affect the performance of FSCO's investments and FSCO.

• Inflation increased substantially in 2022, and the Federal Reserve raised interest rates several times through 2024 to, among other things, control inflation. Elevated levels of inflation, and Federal Reserve rate increases to control inflation, may adversely affect the performance of FSCO's investments and FSCO.

• Future economic recessions or downturns could impair our portfolio companies and harm our operating results.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Statements included herein may constitute "forward-looking" statements as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to future events or the future performance or operations of FSCO (the "Fund"). Words such as "intends," "will," "expects," and "may" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ materially from those projected in these forward-looking statements. Factors that could cause actual results to differ materially include changes in the economy, geopolitical risks, risks associated with possible disruption to the Fund's operations or the economy generally due to hostilities, terrorism, natural disasters or pandemics such as COVID-19, future changes in laws or regulations and conditions in the Fund's operating area, unexpected costs, the price at which the Fund's shares of common stock may trade on the New York Stock Exchange and such other factors that are disclosed in the Fund's filings with the Securities and Exchange Commission. The inclusion of forward-looking statements should not be regarded as a representation that any plans, estimates or expectations will be achieved. Any forward-looking statements speak only as of the date of this communication. Except as required by federal securities laws, the Fund undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

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