



# FS INVESTMENT CORPORATION III

**An investment in FS Investment Corporation III (FSIC III) 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 FSIC III carefully before investing. FSIC III's prospectus contains this and other information. Investors may obtain a copy of FSIC III's prospectus free of charge at [www.fsinvestments.com](http://www.fsinvestments.com) or by contacting FS Investments at 201 Rouse Boulevard, Philadelphia, PA 19112 or by phone at 877-372-9880. Investors should read and carefully consider all information found in FSIC III's prospectus and FSIC III's other reports filed with the U.S. Securities and Exchange Commission before investing.**

**An investment in FSIC III involves significant costs, and investors should review the information in FSIC III's prospectus regarding fees and expenses.**

This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. **An offering is made only by a prospectus, which must be made available to you in connection with this offering.** No offering is made to New York investors except by a prospectus filed with the Department of Law of the State of New York.

**This brochure is not approved for use in the state of Ohio.**

## RISK FACTORS

Investing in FSIC III may be considered speculative and involves a high level of risk, including the risk of a substantial loss of investment. The following are some of the risks an investment in FSIC III's common stock involves; however, you should carefully consider all of the information found in the section of FSIC III's prospectus entitled "Risk Factors" before deciding to invest in shares of FSIC III's common stock.

- Because there is no public trading market for shares of FSIC III's common stock and FSIC III is not obligated to effectuate a liquidity event by a specified date, if at all, it is unlikely that you will be able to sell your shares. If you are able to sell your shares before FSIC III completes a liquidity event, it is likely that you will receive less than you paid for them. While FSIC III intends to conduct quarterly tender offers for FSIC III's shares, only a limited number of shares will be eligible for repurchase and FSIC III may amend, suspend or terminate the share repurchase program at any time. In addition, any such repurchases will be at the net offering price in effect for the applicable class as of the date of repurchase.
- FSIC III invests in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be difficult to value and illiquid.
- FSIC III'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 FSIC III for investment. Any capital returned to stockholders through distributions will be distributed after payment of fees and expenses.
- An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies.
- Investing in middle market companies involves a number of significant risks, any one of which could have a material adverse effect on FSIC III's operating results.
- A lack of liquidity in certain of FSIC III's investments may adversely affect FSIC III's business.
- FSIC III is subject to financial market risks, including changes in interest rates, which may have a substantial negative impact on FSIC III's investments.
- FSIC III has borrowed funds to make investments, which increases the volatility of FSIC III's investments and may increase the risks of investing in FSIC III's securities.
- If FSIC III is unable to raise substantial funds in its ongoing, continuous "best efforts" public offering, then FSIC III will be more limited in the number and type of investments it may make.
- FSIC III's previous distributions to stockholders were funded in significant part from the reimbursement of certain expenses, including the waiver of certain investment advisory fees, that are subject to repayment to its affiliate, FS Investments, and its future distributions may be funded from such waivers and reimbursements. Significant portions of these distributions were not based on FSIC III's investment performance, and such waivers and reimbursements by FS Investments may not continue in the future. If FS Investments were not to reimburse certain of FSIC III's expenses, including through the waiver of certain advisory fees, significant portions of these distributions may come from offering proceeds or borrowings. The repayment of amounts owed to FS Investments will reduce the future distributions to which investors would otherwise be entitled.



FSIC III offers a potential solution for investors seeking income.

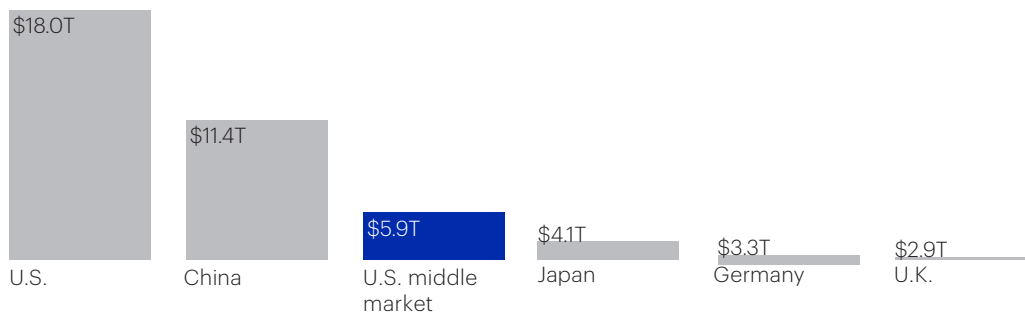
# AN ALTERNATIVE SOURCE OF INCOME

Today, income has become a more important component of a portfolio, but it has also become more difficult to achieve. An allocation to private U.S. middle market companies can help provide a differentiated source of income.

## Investing in the private U.S. middle market for income

While most individuals' portfolios include an allocation to public equities and debt, investing in private companies is often overlooked. There are over 200,000 private middle market companies in the U.S. today responsible for generating more than \$5.9 trillion in goods and services.<sup>1</sup> In fact, if ranked as a country, the U.S. middle market would be the world's third-largest economy.

### GLOBAL ECONOMIES RANKED BY GDP<sup>1</sup>



## Accessing the opportunity

FSIC III provides access to the debt of private U.S. middle market companies to help generate an alternative source of income.

### Considerations for FSIC III

Investing in private U.S. companies involves risks including reduced access to capital, diminished ability to withstand financial stress, limited liquidity, and limited company information. Investing in middle market companies involves risks not associated with investing in more established companies, such as business risk, shorter operating history, limited financial resources, a high dependence on managerial talent and illiquidity — which could materially affect FSIC III's results. Please see FSIC III's prospectus for more information.

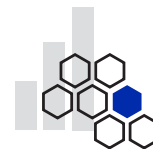
For the 12 months ended December 31, 2016, 100% of FSIC III's distributions were funded through net investment income on a tax basis.

No portion of FSIC III's distributions during the year ended December 31, 2016 was funded through an expense reimbursement from the fund's sponsor. Fee waivers are subject to reimbursement, and the repayment of those fees will reduce future distributions to which investors would otherwise be entitled.

### THREE REASONS TO CHOOSE FSIC III:



A strategy focused on income



An investor-focused structure



An asset manager experienced in navigating the markets

<sup>1</sup> National Center for the Middle Market, 4Q 2016 Middle Market Indicator. The Middle Market Indicator is a quarterly business performance update and economic outlook survey conducted among 1,000 C-Suite executives of middle market companies. For the purposes of the 4Q 2016 Middle Market Indicator, the National Center for the Middle Market defined the U.S. middle market as U.S. companies having annual revenues from \$10 million to \$1 billion.



## STRATEGY

# A FOCUS ON INCOME

FSIC III is designed to generate current income by investing primarily in floating-rate senior secured loans of private U.S. middle market companies.

### **Senior secured loans typically have floating interest rates.**

Senior secured loans typically have floating rates, meaning they adjust or “float” as market interest rates rise or fall. As a result, the value of senior secured loans tends to be less impacted by changing interest rates compared to fixed-rate investments such as corporate bonds. Senior secured loans, therefore, offer the potential for a high level of current income and protection against rising interest rates.

### **Senior secured loans are “secured” by a company’s assets.**

The first obligations of a company to be repaid in the event of a default are senior secured loans, which are typically backed by a company’s assets. This priority of payment and ability to take control of a company’s assets helps protect against principal loss in the event of a corporate default.

## CAPITAL STRUCTURE



### **Considerations for senior secured loans**

There is no guarantee that the assets providing collateral will maintain their value, and it’s possible to lose money investing in senior secured loans. The value of floating rate investments may decline if the associated interest rates do not rise as much, or as quickly, as market interest rates.

Senior secured loans are typically securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. They may also be difficult to value and illiquid. Please see FSIC III’s prospectus for a more complete list of risks.



## STRUCTURE

# PROVIDING ACCESS TO PRIVATE MIDDLE MARKET COMPANIES

FSIC III is a business development company, or BDC, that invests in the senior secured loans of private U.S. companies.

### **FSIC III facilitates the flow of capital from individuals to private U.S. companies.**

By pooling investments from individual investors, FSIC III helps provide many private middle market companies with the capital necessary to operate and grow their businesses, while offering a differentiated source of potential income to investors.

### **Regulatory provisions**

FSIC III, as a BDC, is a closed-end fund regulated under the Investment Company Act of 1940. BDCs are subject to certain provisions of the 1940 Act, as well as the Securities Act and the Exchange Act. It is designed to provide:

**1**

**Timely disclosure of portfolio holdings** through public filings with the SEC

**2**

**Strong corporate governance** through an independent board of directors and independent custodian

**3**

**Transparency** into the value of the fund's investments



# THE MANAGER MATTERS

FSIC III is managed by experienced investment teams of FS Investments and GSO Capital Partners, the credit platform of Blackstone, one of the world's largest alternative asset managers.

## **FS Investments — a leading manager of alternative income solutions**

FS Investments is a leading asset manager dedicated to helping individuals, financial professionals and institutions design better portfolios. Our goal is to provide access to alternative sources of income and growth through funds managed in partnership with top institutional investment advisers. We focus on setting industry standards for investor protection, education and transparency.



**\$20.5B**

in assets under management<sup>2</sup>

**\$20.8B**

in total direct originations<sup>2</sup>



**\$93.1B**

in assets under management<sup>2</sup>

## **GSO / Blackstone — one of the largest alternative lenders in the world**

GSO is one of the largest alternative credit managers in the world. GSO seeks to generate attractive risk-adjusted returns for its clients by investing in a broad array of strategies including mezzanine debt, distressed investing, leveraged loans and other special-situation strategies. Its funds are major providers of credit for small and middle market companies and they also advance rescue financing to help distressed companies.

<sup>2</sup> As of March 31, 2017.



FSIC III is a long-term investment intended to provide current income.

**OTHER IMPORTANT DISCLOSURES**

FSIC III is a long-term investment for persons of adequate financial means who have no need for liquidity in their investment. To invest in FSIC III, an investor must have either (i) a net worth of at least \$70,000 and an annual gross income of at least \$70,000, or (ii) a net worth of at least \$250,000. Some states impose higher suitability standards. Please consult the prospectus for a detailed description of the suitability standards imposed on investors, including heightened standards required by certain states.

FS Investment Solutions, LLC (FS Investment Solutions), the dealer manager for FSIC III's public offering, is an affiliate of FSIC III's investment adviser and serves or has served as the dealer manager for the public offerings of shares by other non-traded funds sponsored by FS Investments. These relationships may create conflicts in connection with FS Investment Solutions' due diligence obligations under the federal securities laws. FS Investment Solutions is entitled to compensation in connection with this offering, including receiving selling commissions (which are generally reallocated to selling broker-dealers) and dealer manager fees based on the gross offering proceeds of shares sold in the offering. FS Investment Solutions may also be reimbursed for accountable due diligence expenses based on the gross offering proceeds of shares sold in this offering. In addition, FSIC III's investment adviser and its affiliates may face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments, which they will attempt to resolve in a fair and equitable manner.

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