

NEXPOINT MERGER ARBITRAGE FUND

Fund Summary

INVESTMENT OBJECTIVE

Seeks to achieve positive absolute returns

INVESTMENT STRATEGY

Invest in publicly announced mergers to capture the spread between the current price of a target company and the announced offer price for that company

INVESTMENT RATIONALE

- Alternative investment that seeks to reduce overall portfolio volatility and correlation
- Potential alternative or complement to fixed income given similar levels of risk & volatility

Cumulative Returns Since Inception



	Annualized Return	Standard Deviation	Sharpe Ratio ³	Maximum Drawdown	Correl. to S&P	Correl. to Bonds	Correl. to Real Estate
NexPoint Merger Arb	6.9%	3.9%	1.52	-3.4%	0.21	0.06	0.23
Barclays Agg Bond Index	3.8%	3.2%	0.90	-3.3%	-0.06	1.00	0.40

TOP 10 DEALS (TARGET / ACQUIRER)

Immunomedics (IMMU) / Gilead Science (GILD)	9.2%
Grubhub (GRUB) / Just Eat Takeaway.com (TKWY NA)	7.7%
Livongo Health (LVGO) / Teladoc Health (TDOC)	6.5%
Momenta Pharmaceuticals (MNTA) / Johnson & Johnson (JNJ)	6.3%
Vivint Solar (VSLR) / Sunrun (RUN)	5.5%
E*Trade (ETFC) / Morgan Stanley (MS)	4.9%
National General (NGHC) / Allstate (ALL)	4.8%
Aimmune Therapeutics (AIMT) / Nestle (SESN SW)	4.2%
TD Ameritrade (AMTD) / Charles Schwab (SCHW)	3.8%
GCI Liberty (GLIBA) / Liberty Broadband (LBRDK)	3.6%

Fund Highlights

Symbols:

Class A: HMEAX Class C: HMECX

Class Z: HMEZX¹

Inception Date (Class Z):

January 20, 2015

Portfolio Managers:

Jim Dondero, CFA
Co-Founder, President

Eric Fritz,
Portfolio Manager

Brad Heiss, CFA
Portfolio Manager

Investment Strategy (% of Longs)²

Merger Arb Deals	84
SPACs	16

Number of Positions

Merger Arb Deals	37
SPACs	25

Geographic Exposure (% of Longs)²

United States	83
Europe	6
Japan	4
Canada	2
United Kingdom	2
Australia	1

Technical Terms: Annualized Return:

The annualized return is the geometric mean of the returns with respect to one year. **Correlation:** A statistical measure of how two securities move in relation to each other. **Maximum Drawdown:** The peak-to-trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough. Drawdowns help determine an investment's financial risk. **Sharpe Ratio:** A measure of risk-adjusted performance. The Sharpe ratio is calculated for by dividing a fund's annualized excess returns over the risk-free rate by its annualized standard deviation. **Standard Deviation:** Standard deviation of returns measures the average a return series deviates from its mean. It is often used as a measure of risk. Higher standard deviation represents higher volatility. **Small Cap:** Small Cap returns are represented by the Russell 2000; and **Real Estate:** Real Estate returns are represented by the iShares U.S. Real Estate ETF (IYR). **Bonds:** Bonds are represented by The Barclays US Aggregate Bond.

Annualized Returns (%) as of 9/30/20

Share Class	YTD	1-YR	3-YR	5-YR	ITD
Class A	5.10	6.72	5.92	7.10	6.63
Class A (w/load)	-0.69	0.83	3.93	5.89	5.58
Class C	4.62	6.03	5.26	6.44	6.06
Class C (w/load)	3.62	5.03	5.26	6.44	6.06
Class Z	5.35	7.08	6.30	7.35	6.86
Bloomberg Barclays Agg Bond Index	6.79	6.98	5.24	4.18	3.84

The performance data quoted here represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month-end, please call 877-665-1287.

On August 13, 2020, the Board of Trustees of Highland Funds I, on behalf of the Fund, approved a change of the Fund's name to the "NexPoint Merger Arbitrage Fund." The Fund continues to be advised by Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint.

SALES CHARGES

Class A Max Sales Charge: 5.50%. Class C Contingent Deferred Sales Charge ("CDSC") is 1% within the first year from each purchase. Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower.

The Advisor has contractually agreed to limit the total annual operating expenses (exclusive of distribution and/or service (12b-1) fees, taxes, such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses) of the Fund until at least October 31, 2021. Total net operating expenses above were applicable to investors. Total net operating expenses include dividend expense on short sales and interest payments and commitment fees on borrowed funds of Class A, C and Z shares of 0.91%, 0.91% and 0.91%, respectively.

¹Only eligible investors may purchase Class Z Shares. Please refer to the prospectus for information and conditions.

²All exposure and position size calculations based on percent of long market value. Long market value includes the notional value of swaps.

³Sharpe ratio calculation utilizes the S&P 0-3 Month U.S. Treasury Bill Index return for the risk-free rate.

The advisor to the Fund is Highland Capital Management Fund Advisors, L.P.

Before investing in the Fund, you should carefully consider the Fund's investment objectives, risks, charges and expense. For a copy of a prospectus or summary prospectus, which contains this and other information, please visit our website at nexpointgroup.com or call 1-877-665-1287. Please read the fund prospectus carefully before investing.

HFM US Performance Awards 2020 are award annually and funds entering any of the categories except the newcomer categories must submit a 3-year track record of monthly performance data through June 2020. Funds entering the long-term performance (5 years) categories must submit a 5-year track record of monthly performance data through June 2020. There were 3 funds shortlisted in the Merger Arbitrage category, 8 funds shortlisted in the US Equity Long-term performance (5 years) under \$1bn category, and 6 funds shortlisted in the Event Driven under \$1bn category. Judges focus on absolute performance as well as standard deviation of returns and outperformance of the relevant HFM benchmark. They also take into consideration the relative AUM, nature of the investment strategy, track-records, other supporting materials and professional knowledge they have about shortlisted funds to come to their decisions.

Source: SEI

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fees and Expenses

Gross: Class A 3.70%; Class C 4.35%; Class Z 3.35%
Net: Class A 2.77%; Class C 3.42%; Class Z 2.42%

RISK CONSIDERATIONS

On May 12, 2016, the Predecessor Fund transferred its assets to the Fund in exchange for the Fund's Class Z shares. The investment policies, objectives, guidelines and restrictions of the Fund are in all material respects equivalent to those of the Predecessor Fund. In addition, the Predecessor Fund's portfolio manager is the current portfolio manager of the Fund. As a mutual fund registered under the 1940 Act, the Fund is subject to certain restrictions under the 1940 Act and the Internal Revenue Code of 1986, as amended (the "Code") to which the Predecessor Fund was not subject. Had the Predecessor Fund been registered under the 1940 Act and been subject to the provisions of the 1940 Act and the Code, its investment performance could have been adversely affected, but these restrictions are not expected to have a material effect on the Fund's investment program.

Barclays US Aggregate Bond Index. The Barclays US Aggregate Bond Index is a broad-based, unmanaged, market-weighted index that is comprised of investment grade, US dollar-denominated, fixed-rate taxable debt instruments. **S&P 500 Index :** S&P 500 Index is an index of a basket of 500 stocks designed to provide a broad snapshot of the overall U.S. equity market. Criteria for inclusion: U.S. Company, market capitalization must be in excess of US\$ 3 billion, public float of at least 50%, financial viability, adequate liquidity and reasonable price, sector balance, and company type. Ordinary cash dividends are applied on the ex-date in calculating the total return series. "Special dividends" are those dividends that are outside of the normal payment pattern established historically by the issuing corporation. The total return index series reflect both ordinary and special dividends. **The Russell 2000® Index.** The Russell 2000® Index is a float-adjusted market capitalization weighted index that measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000®, including approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is reconstituted annually. It is not possible to invest directly in an index. **iShares U.S. Real Estate ETF (IYR).** The Fund seeks to track the investment results of the Dow Jones U.S. Real Estate Index, which measures the performance of the real estate sector of the U.S. equity market. **Derivatives Risk.** Derivatives, such as futures and options, are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Derivatives also expose the Fund to the credit risk of the derivative counterparty. Derivative contracts may expire worthless and the use of derivatives may result in losses to the Fund. **Leverage Risk.** Leverage may increase the risk of loss, cause fluctuations in the market value of the Fund's portfolio to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise. **Micro, Small and Mid-Cap Securities Risk.** Investments in securities of companies with micro, small or medium capitalizations involve certain risks that may differ from, or be greater than, those for larger companies, such as higher volatility, lower trading volume, fewer business lines and lack of public information. **Non-Diversification Risk.** As a non-diversified fund, the Fund may invest a larger portion of its assets in the securities of one or a few issuers than a diversified fund. A non-diversified fund's investment in fewer issuers may result in the fund's shares being more sensitive to the economic results of those issuers. An investment in the Fund could fluctuate in value more than an investment in a diversified fund. **Non-U.S. Securities Risk.** Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, expropriation or political or economic instability). **Short Sales Risk.** The risk of short sales theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase. **Hedging Risk.** Although intended to limit or reduce investment risk, hedging strategies may also limit or reduce the potential for profit. There is no assurance that hedging strategies will be successful.