

# NEXPOINT

ADVISORS

## NexPoint Real Estate Strategies Fund

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**Annual Report**  
**December 31, 2021**

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# NexPoint Real Estate Strategies Fund

## TABLE OF CONTENTS

Portfolio Manager Commentary .....	1
Consolidated Fund Profile .....	3
Consolidated Financial Statements .....	4
Consolidated Investment Portfolio .....	5
Consolidated Statement of Assets and Liabilities .....	7
Consolidated Statement of Operations .....	8
Consolidated Statements of Changes in Net Assets .....	9
Consolidated Statement of Cash Flows .....	11
Consolidated Financial Highlights .....	12
Notes to Consolidated Financial Statements .....	15
Report of Independent Registered Public Accounting Firm .....	30
Additional Information .....	31
Important Information About This Report .....	42

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- ***Account history, including information about the transactions and balances in your accounts with us or our affiliates.***

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Economic and market conditions change frequently.  
There is no assurance that the trends described in this report will continue or commence.

**A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.**

# PORTFOLIO MANAGER COMMENTARY (unaudited)

December 31, 2021

NexPoint Real Estate Strategies Fund

Dear Shareholders,

We are pleased to present NexPoint Real Estate Strategies Fund's (NRES) annual report for the 2021 calendar year-end. We continue to spend an enormous amount of time, energy, and effort in constructing a strategy that we believe provides investors unique access to the real estate sector while strategically allocating capital in a thoughtful, forward-thinking manner throughout the entire real estate cycle. We aim to achieve four primary objectives: to provide (i) current income, (ii) long-term total return, (iii) lower correlation to the equity markets and consistently outperform the MSCI US REIT Index, and (iv) minimize drawdowns during market downturns while maximizing risk-adjusted returns. Our investment philosophy employs a "hands on" approach whereby each step of the investment process is performed in-house by an investment team that is active in all facets of the real estate capital markets. As a result, we believe we can identify and effectively exploit the arbitrage between public and private real estate values.

In a year highlighted by the "reopening" of the economy after the first wave of COVID, followed by renewed concerns around variants and the possibility of additional shutdowns, publicly traded REITs posted their best total return on record, as measured by the MSCI US REIT Index (RMZ), of 43.1%. REITs also outperformed the S&P 500 by 14.4% in 2021. NexPoint Real Estate Strategies Class Z shares returned 42.7% during 2021, lagging the MSCI US REIT Index, the Fund's primary benchmark, by 0.4%. Since inception in July 2016, NexPoint Real Estate Strategies Class Z shares returned 55.9%, underperforming the MSCI US REIT Index by 3.9%.

Looking ahead, as the rate of COVID related hospitalizations and fatalities continues to decline, the investment community has turned their focus to supply-chain issues, geopolitics and inflationary concerns. While we believe inflationary pressures will require central banks to raise rates at the short end of the curve, geo-political uncertainties and an unprecedented wall of capital looking for safe investments could propel real estate values for certain asset types even higher. We remain positive on companies who focus on assets located in high-growth job markets with short duration lease terms which we believe will outperform in a rising interest rate environment.

We believe our ability to leverage information from being both an owner-operator and lender to commercial real estate investments allows us to find relative value throughout the capital stack with the goal of delivering higher than average risk-adjusted returns. We will continue to seek to take advantage of market dislocations and be tactical in our investment decisions by shifting the portfolio's asset-mix based upon where we believe we are in the real estate cycle.

We want to thank you for your support and we will continue to work diligently to create value for our shareholders.

Sincerely,

Jim Dondero  
Portfolio Manager  
NexPoint Real Estate Strategies Fund

Matt McGraner  
Portfolio Manager  
NexPoint Real Estate Strategies Fund

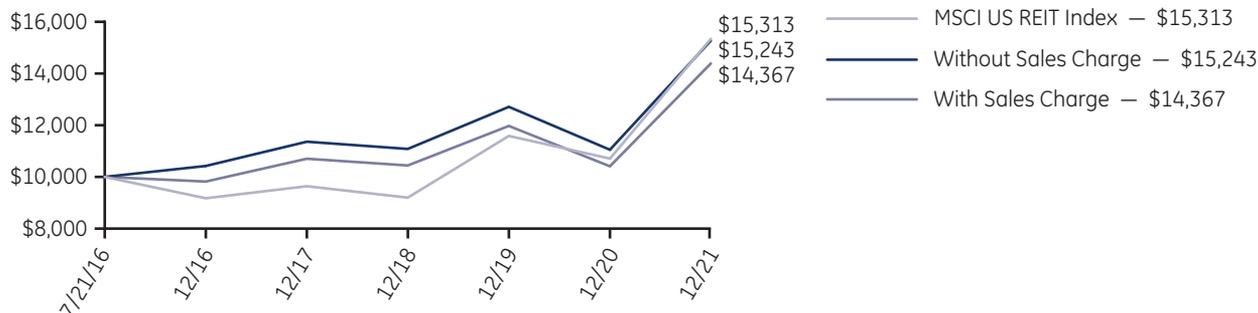
Matthew Goetz  
Portfolio Manager  
NexPoint Real Estate Strategies Fund

# PORTFOLIO MANAGER COMMENTARY (unaudited) (concluded)

December 31, 2021

NexPoint Real Estate Strategies Fund

Growth of Hypothetical \$10,000 Investment



	Average Annual Total Returns					
	Class A		Class C		Class Z	
	Without Sales Charge	With Sales Charge	Without Sales Charge	With Sales Charge	Without Sales Charge	With Sales Charge
Year Ended	42.42%	34.23%	41.32%	39.91%	42.68%	NA
Five Year	7.90%	6.63%	7.36%	7.36%	8.40%	NA
Since Inception: (July 21, 2016) for Class A and C (July 1, 2016) for Class Z	8.05%	6.88%	7.49%	7.49%	8.42%	NA

Returns shown in the chart and table do not reflect taxes that a shareholder would pay on Fund distributions or on the sale of the Fund shares.

“Without Sales Charge” returns do not include sales charges or contingent deferred sales charges (“CDSC”). “With Sales Charge” returns reflect the maximum sales charge of 5.75% on Class A Shares. The CDSC on Class C Shares is 1.00% within 18 months after purchase; there is no CDSC on Class C Shares thereafter. The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so that an investor’s share 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 visit our website at [www.nexpointres.com](http://www.nexpointres.com). The gross annualized expense ratios of the Fund are: Class A: 3.08%, Class C: 3.85%, Class Z: 2.85%. NexPoint Advisors, L.P. (the “Investment Adviser”) has contractually agreed to limit the total annual operating expenses (including organizational and offering expenses, but excluding distribution fees, interest, dividend expenses on short sales, brokerage commissions and other transaction costs, acquired fund fees and expenses, taxes, litigation expenses and extraordinary expenses), to the extent that they exceed 1.75% per annum of the Fund’s average Daily Gross Assets (as defined in Note 7). Total net annualized operating expenses for each class after reimbursement are Class A 1.99%, Class C 2.74%, Class Z 1.73%. Performance results reflect any contractual waivers and/or reimbursements of fund expenses by the Investment Adviser. Absent this limitation, performance results would have been lower.

Stock and bond prices may fall or fail to rise over time for several reasons, including general financial market conditions, factors related to a specific issuer or industry and, with respect to bond prices, changing market perceptions of the risk of default and changes in government intervention. These factors may also lead to increased volatility and reduced liquidity in the bond markets. The Fund may invest in foreign securities which may cause more volatility and less liquidity due to currency changes, political instability and accounting differences.

Interval fund investing involves risk including the possible loss of principal.

# CONSOLIDATED FUND PROFILE (unaudited)

December 31, 2021

NexPoint Real Estate Strategies Fund

## Objective

NexPoint Real Estate Strategies Fund seeks long-term total return with an emphasis on current income.

## Net Assets as of December 31, 2021

\$24.1 million

## Portfolio Data as of December 31, 2021

The information below provides a snapshot of NexPoint Real Estate Strategies Fund at the end of the reporting period. NexPoint Real Estate Strategies Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

Industry Classifications as of 12/31/2021 <sup>(1)</sup>	
Real Estate Investment Trust	75.8%
Real Estate	17.8
Financials	3.7
Asset-Backed Securities	1.2
Agency Collateralized Mortgage Obligation	0.2
Other Investments and Assets & Liabilities	1.3

Top 10 Holdings as of 12/31/2021(%) <sup>(1)(2)</sup>	
Vinebrook (Common Stock)	19.5%
NexPoint Real Estate Finance (Common Stock)	13.7
NexPoint Residential Trust, Inc. (Common Stock)	12.8
IQHQ, Inc. (Common Stock)	12.1
NexPoint Storage Partners, Inc. (Common Stock)	11.6
Whitestone (Common Stock)	8.9
SFR WLIF I, LLC, (LLC Interest)	7.9
Bluerock Residential Growth (Common Stock)	6.0
Caddo Timberland Investment Partnership LP, (Preferred Stock)	3.7
NREF OP I, L.P., (LLC Interest)	1.0

<sup>(1)</sup> Industries and holdings are calculated as a percentage of total net assets.

<sup>(2)</sup> Includes NRESF REIT SUB, LLC, as the entity is intended to hold private debt. NRESF REIT Sub, LLC is an affiliated issuer.

# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

NexPoint Real Estate Strategies Fund

## A guide to understanding each Fund's financial statements

### Consolidated Investment Portfolio

The Investment Portfolio details the Fund's holdings and their fair value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.

### Consolidated Statement of Assets and Liabilities

This statement details the Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and noninvestment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.

### Consolidated Statement of Operations

This statement reports income earned by the Fund and the expenses incurred by the Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations.

### Consolidated Statements of Changes in Net Assets

This statement details how the Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statements of Changes in Net Assets also details changes in the number of shares outstanding.

### Consolidated Statement of Cash Flows

This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.

### Consolidated Financial Highlights

The Financial Highlights demonstrate how the Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).

### Notes to Consolidated Financial Statements

These notes disclose the organizational background of the Fund, certain of their significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

# CONSOLIDATED INVESTMENT PORTFOLIO

As of December 31, 2021

Shares		Amortized Cost (\$)	Value (\$)
<b>Common Stock - 84.7%</b>			
<b>REAL ESTATE - 8.9%</b>			
212,812	Whitestone, Class B, REIT (l) .....	1,855,065	2,155,785
<b>REAL ESTATE INVESTMENT TRUST - 75.8%</b>			
54,722	Bluerock Residential Growth, Class A, REIT (l) ...	729,959	1,444,114
160,205	IQHQ, Inc. (b)(c)(d) .....	2,512,050	2,920,537
170,910	NexPoint Real Estate Finance (e)(l) .....	3,471,736	3,290,018
36,822	NexPoint Residential Trust, Inc., REIT (e)(l) .....	804,031	3,086,788
2,005	NexPoint Storage Partners, Inc. (b)(c)(e) .....	1,689,783	2,793,558
55,029	United Development Funding IV, REIT (b)(c) .....	106,980	56,130
86,595	Vinebrook (b)(c)(e) .....	2,646,188	4,688,259
			18,279,404
	Total Common Stock (Cost \$13,815,792) .....		20,435,189
<b>LLC Interest - 8.9%</b>			
<b>REAL ESTATE - 8.9%</b>			
12,342	NREF OP I, L.P., REIT (e) .....	246,839	237,582
2,000,000	SFR WLIF I, LLC (b)(c)(e) .....	2,000,000	1,897,384
			2,134,966
	Total LLC Interest (Cost \$2,246,839) .....		2,134,966
<b>Preferred Stock - 3.7%</b>			
<b>FINANCIALS - 3.7%</b>			
851,292	Caddo Timberland Investment Partnership LP (b)(c)(d) .....	108,879	885,344
	Total Preferred Stock (Cost \$108,879) .....		885,344
<b>Asset-Backed Securities - 1.2%</b>			
300,000	CIFC Funding, Series 2014-4RA 0.00%, 1/17/2035 (a)(g)(h)(k) .....	94,500	90,000
250,000	CIFC Funding, Ltd., Series 2015-1A, Class SUB 0.00%, 1/22/2031 (a)(g)(h)(k) .....	200,050	99,063
250,000	CIFC Funding, Ltd., Series 2014-5A, Class SUB 0.00%, 10/17/2031 (a)(b)(c)(g)(h)(k) .....	192,333	100,000
	Total Asset-Backed Securities (Cost \$486,883) .....		289,063

NexPoint Real Estate Strategies Fund

Shares		Amortized Cost (\$)	Value (\$)
<b>Agency Collateralized Mortgage Obligation - 0.2%</b>			
336,832	FHLMC Multifamily Structured Pass Through Certificates, Series K097, Class X3 2.09%, 9/25/2046 (h)(i) ....	34,809	45,112
	Total Agency Collateralized Mortgage Obligations (Cost \$34,809) .....		45,112
<b>Contracts</b>			
<b>Purchased Put Options - 0.0%</b>			
	Total Purchased Put Options (Cost \$20,939) .....		1,950
<b>Cash Equivalents - 1.2%</b>			
<b>MONEY MARKET FUND - 1.2%</b>			
281,958	Dreyfus Treasury Obligations Cash Management, Institutional Class 0.010% (j) .....	281,958	281,958
	Total Cash Equivalents (Cost \$281,958) .....		281,958
	<b>Total Investments - 99.9%</b> .....		<b>24,073,582</b>
	(Cost \$16,996,099)		
<b>Securities Sold Short - (3.5)%</b>			
<b>COMMON STOCK - (3.5)%</b>			
(32,500)	Real Estate - (3.5)% Independence Realty Trust, Inc. ....		(839,475)
	Total Securities Sold Short - (3.5)% (Proceeds \$762,745) ....		(839,475)
	<b>Other Assets &amp; Liabilities, Net - 3.6%</b> .....		<b>867,785</b>
	<b>Net Assets - 100.0%</b> .....		<b>24,101,892</b>

- Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments
- Securities with a total aggregate value of \$13,341,212, or 55.4% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$13,341,212, or 55.4% of net assets, were fair valued under the Fund's valuation procedures as of December 31, 2021. Please see Notes to Financial Statements.
- Non-income producing security.
- Affiliated issuer. Assets with a total aggregate fair value of \$15,993,589, or 66.4% of net assets, were affiliated with the Fund as of December 31, 2021.
- Perpetual security with no stated maturity date.

# CONSOLIDATED INVESTMENT PORTFOLIO (concluded)

## As of December 31, 2021

- (g) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. The Board has determined these investments to be liquid. At December 31, 2021, these securities amounted to \$289,063 or 1.2% of net assets.
- (h) Interest only security ("IO"). These types of securities represent the right to receive the monthly interest payments on an underlying pool of mortgages. Payments of principal on the pool reduce the value of the "interest only" holding.
- (i) As of December 31, 2021, investments with a total aggregate value of \$45,112 were fully or partially segregated with broker(s)/custodian as collateral for reverse repurchase agreements.
- (j) Rate shown is 7 day effective yield.

## NexPoint Real Estate Strategies Fund

- (k) Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect December 31, 2021. LIBOR, otherwise known as London Interbank Offered Rate, is the benchmark interest rate that banks charge each other for short-term loans. Current LIBOR rates include 1 month which is equal to 0.101% and 3months equal to 0.209%.
- (l) All or part of this security is pledged as collateral for short sales. The fair value of the securities pledged as collateral was \$7,019,265.

LLC — Limited Liability Company  
REIT — Real Estate Investment Trust

(m) Purchased options contracts outstanding as of December 31, 2021 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium	Value
<b>PURCHASED PUT OPTIONS:</b>							
IRT US 01/21/2022	\$22.50		January 2022	390	\$1,007,370	\$20,939	\$1,950

Reverse Repurchase Agreements outstanding as of December 31, 2021 were as follows:

Counterparty	Collateral Pledged	Interest Rate %	Trade Date	Repurchase Amount	Principal Amount	Value
Mizuho Securities	FHLMC Multifamily Structured Pass Through Certificates, Series K097, Class X3, 9/25/2046	1.11	12/17/2021	\$(29,025)	<u>\$(29,000)</u>	<u>\$(29,000)</u>
<b>Total Reverse Repurchase Agreements</b>					<u>\$(29,000)</u>	<u>\$(29,000)</u>

# CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2021

NexPoint Real Estate Strategies Fund

	(\$)
<b>Assets</b>	
Investments, at value .....	7,798,035
Affiliated investments, at value (Note 11) .....	15,993,589
Total Investments, at value .....	23,791,624
Cash and cash equivalents .....	335,142
Restricted Cash — Securities Sold Short (Note 2) .....	819,650
Receivable for:	
Dividends and Interest .....	63,882
Fund shares sold .....	7,259
Prepaid expenses and other assets .....	25,991
Total assets .....	<u>25,043,548</u>
<b>Liabilities:</b>	
Securities sold short, at value (Note 2) .....	839,475
Reverse repurchase agreements (Notes 3 and 5) .....	29,000
Payable for:	
Administration fees .....	22,688
Investment advisory fees (Note 5) .....	13,281
Interest expense and commitment fee .....	3,146
12B-1 Fees Class C .....	2,193
12B-1 Fees Class A .....	1,204
Accrued expenses and other liabilities .....	30,669
Total liabilities .....	<u>941,656</u>
<b>Net Assets</b> .....	<u><b>24,101,892</b></u>
<b>Net Assets Consist of:</b>	
Paid-in capital .....	19,582,719
Total distributable earnings .....	4,519,173
<b>Net Assets</b> .....	<u><b>24,101,892</b></u>
Investments, at Cost .....	5,855,565
Affiliated investments, at Cost (Note 11) .....	10,858,576
Cash Equivalents, at Cost .....	281,958
Proceeds from securities sold short .....	762,745
Reverse Repurchase Agreements, at Cost .....	29,000
<b>Class A:</b>	
Net assets .....	5,903,037
Shares outstanding (unlimited shares authorized) .....	276,982
Net asset value per share <sup>(a)(b)</sup> .....	21.31
Maximum offering price per share <sup>(c)</sup> .....	22.61
<b>Class C:</b>	
Net assets .....	2,705,859
Shares outstanding (unlimited shares authorized) .....	125,481
Net asset value and offering price per share <sup>(a)</sup> .....	21.56
<b>Class Z:</b>	
Net assets .....	15,492,996
Shares outstanding (unlimited shares authorized) .....	719,152
Net asset value, offering and redemption price per share .....	21.54

<sup>(a)</sup> Redemption price per share is equal to net asset value per share less any applicable contingent deferred sales charge ("CDSC").

<sup>(b)</sup> Purchases of \$500,000 or more are subject to a 1.00% CDSC if redeemed within eighteen months of purchase.

<sup>(c)</sup> The sales charge is 5.75%. On sales of \$500,000 or more, there is no sales charge and therefore the offering will be lower.

# CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2021

NexPoint Real Estate Strategies Fund

	(\$)
<b>Investment Income:</b>	
<b>Income:</b>	
Dividends from unaffiliated issuers .....	74,820
Dividends from affiliated issuers (Note 11) .....	648,525
Securities lending income (Note 12) .....	12
Interest from unaffiliated issuers .....	78,146
ROC Reclass <sup>(1)</sup> .....	<u>(282,662)</u>
Total income .....	<u>518,841</u>
<b>Expenses:</b>	
Investment advisory (Note 7) .....	263,070
Transfer agent fees .....	64,168
Reports to shareholders .....	50,541
Audit and tax preparation fees .....	40,544
Registration fees .....	37,321
Distribution and shareholder service fees: (Note 7)	
Class A .....	10,721
Class C .....	22,363
Administration fees (Note 7) .....	31,112
Legal fees .....	29,161
Tax fees .....	21,605
Custodian/wire agent fees .....	21,314
Trustees fees (Note 7) .....	5,254
Interest expense and commitment fees (Note 5) .....	4,859
Insurance .....	2,652
Pricing fees .....	1,709
Other .....	<u>14,822</u>
Total operating expenses before waiver and reimbursement .....	621,216
Less: Expenses waived or borne by the investment adviser and administrator .....	<u>(229,932)</u>
Total operating expenses .....	<u>391,284</u>
Net investment income .....	<u>127,557</u>
<b>Net Realized and Unrealized Gain (loss) on Investments</b>	
<b>Realized Gain (Loss) on:</b>	
Investments from unaffiliated issuers .....	1,210,733
Investments from affiliated issuers (Note 11) .....	200,802
Securities sold short (Note 2) .....	<u>(5,621)</u>
<b>Net Change in Unrealized Appreciation (Depreciation) on:</b>	
Investments from unaffiliated issuers .....	1,402,411
Investments in affiliated issuers (Note 11) .....	4,618,096
Securities sold short (Note 2) .....	<u>(76,730)</u>
Net realized and unrealized gain (loss) on investments .....	<u>7,349,731</u>
Total increase in net assets resulting from operations .....	<u><u>7,477,288</u></u>

<sup>(1)</sup> Adjustment to income associated with return of capital from income received in prior period. Information related to these adjustments was not received until after the finalization of the prior period financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

## NexPoint Real Estate Strategies Fund

	Year Ended December 31, 2021 (\$)	Year Ended December 31, 2020 (\$)
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income .....	127,557	517,661
Net realized gain (loss) on investments .....	1,405,954	(3,587,798)
Net change in unrealized appreciation (depreciation) on investments.....	<u>5,943,777</u>	<u>(127,025)</u>
Net increase (decrease) in net assets resulting from operations .....	<u>7,477,288</u>	<u>(3,197,162)</u>
<b>Total distributions to shareholders:</b>		
Class A .....	(84,286)	(39,087)
Class C.....	(38,972)	(29,370)
Class Z.....	<u>(278,678)</u>	<u>(359,805)</u>
<b>Total distribution to shareholders</b> .....	<u>(401,936)</u>	<u>(428,262)</u>
<b>Return of capital:</b>		
Class A .....	(256,367)	(94,177)
Class C.....	(118,540)	(70,765)
Class Z.....	<u>(847,641)</u>	<u>(866,930)</u>
<b>Total return of capital</b> .....	<u>(1,222,548)</u>	<u>(1,031,872)</u>
<b>Total distributions</b> .....	<u>(1,624,484)</u>	<u>(1,460,134)</u>
Increase (decrease) in net assets from operations and distributions .....	<u>5,852,804</u>	<u>(4,657,296)</u>
<b>Share transactions:</b>		
Proceeds from sale of shares		
Class A .....	2,635,427	1,088,622
Class C.....	385,106	1,123,488
Class Z.....	<u>1,731,543</u>	<u>2,019,925</u>
Value of distributions reinvested		
Class A .....	211,780	66,273
Class C.....	77,070	48,842
Class Z.....	<u>424,776</u>	<u>376,651</u>
Cost of shares redeemed		
Class A .....	(473,656)	(146,512)
Class C.....	(191,743)	(57,967)
Class Z.....	<u>(3,324,449)</u>	<u>(3,352,125)</u>
Net increase from shares transactions .....	<u>1,475,854</u>	<u>1,167,197</u>
<b>Total increase (decrease) in net assets</b> .....	<u>7,328,658</u>	<u>(3,490,099)</u>
<b>Net Assets</b>		
Beginning of year .....	<u>16,773,234</u>	<u>20,263,333</u>
End of year .....	<u>24,101,892</u>	<u>16,773,234</u>

Amounts designated as “—” are \$0 or have been rounded to \$0.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (concluded)

## NexPoint Real Estate Strategies Fund

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>CAPITAL STOCK ACTIVITY - SHARES</b>		
<b>Class A:</b>		
Shares sold .....	149,856	68,379
Issued for distribution reinvested .....	11,372	4,271
Shares redeemed .....	<u>(24,590)</u>	<u>(8,264)</u>
Net increase in fund shares .....	<u>136,638</u>	<u>64,386</u>
<b>Class C:</b>		
Shares sold .....	22,113	67,505
Issued for distribution reinvested .....	3,980	3,138
Shares redeemed .....	<u>(10,026)</u>	<u>(4,116)</u>
Net increase in fund shares .....	<u>16,067</u>	<u>66,527</u>
<b>Class Z:</b>		
Shares sold .....	100,474	111,404
Issued for distribution reinvested .....	22,781	23,876
Shares redeemed .....	<u>(181,138)</u>	<u>(226,008)</u>
Net decrease in fund shares .....	<u>(57,883)</u>	<u>(90,728)</u>

Amounts designated as “—” are \$0 or have been rounded to \$0.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

NexPoint Real Estate Strategies Fund

	(\$)
<b>Cash Flows Provided by Operating Activities:</b>	
Net increase in net assets resulting from operations .....	7,477,288
<b>Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:</b>	
Purchases of investment securities from unaffiliated issuers .....	(6,514,196)
Purchases of investment securities from affiliated issuers .....	(2,659,335)
Proceeds from the disposition of investment securities from unaffiliated issuers.....	6,133,862
Proceeds from the disposition of investment securities from affiliated issuers .....	2,234,710
Proceeds from return of capital of investment securities from unaffiliated issuers .....	44,814
Proceeds from return of capital of investment securities from affiliated issuers .....	359,425
Proceeds from securities sold short .....	762,745
Net realized (gain) on Investments from unaffiliated issuers .....	(1,210,773)
Net realized (gain) on Investments from affiliated issuers .....	(200,802)
Net realized loss on securities sold short and purchased options contracts .....	5,621
Net change in unrealized (appreciation) depreciation on unaffiliated investments .....	(1,402,411)
Net change in unrealized (appreciation) depreciation on affiliated investments .....	(4,618,096)
Net change in unrealized (appreciation) depreciation on securities sold short .....	76,730
Net accretion of discount .....	(5,122)
(Increase) decrease in dividends and interest receivable .....	(51,934)
(Increase) decrease in prepaid expenses and other assets.....	(4,751)
Increase (decrease) in payable for investments purchased .....	(89,815)
Increase (decrease) in payable for investment advisory fees .....	4,243
Increase (decrease) in payable for shareholder service fees .....	(1,977)
Increase (decrease) in payable for commitment fees .....	3,146
Increase (decrease) in accrued expenses and other liabilities .....	(28,449)
Net cash flow provided by operating activities .....	<u>314,923</u>
<b>Cash Flows Used in Financing Activities:</b>	
Payments on reverse repurchase agreements .....	(2,000)
Distributions paid in cash .....	(910,858)
Payments of shares redeemed .....	(3,989,848)
Proceeds from shares sold .....	4,753,362
Net cash flow used in financing activities .....	<u>(149,344)</u>
Net increase in Cash .....	<u>165,579</u>
<b>Cash, Cash Equivalents, Foreign Currency and Restricted Cash:</b>	
Beginning of period .....	<u>989,213</u>
End of period .....	<u>1,154,792</u>
<b>End of Year Cash Balances:</b>	
Cash and cash equivalents .....	335,142
Restricted cash .....	819,650
End of Year .....	<u>1,154,792</u>
<b>Supplemental disclosure of cash flow information:</b>	
Reinvestment of distributions .....	<u>713,626</u>
Cash paid during the period for interest expense and commitment fees .....	<u>1,713</u>

# CONSOLIDATED FINANCIAL HIGHLIGHTS

## NexPoint Real Estate Strategies Fund, Class A

Selected data for a share outstanding throughout each period is as follows:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Year</b>	\$ 16.19	\$ 20.36	\$ 18.99	\$ 20.65	\$ 20.62
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.09	0.48	0.94	0.95	1.44
Net realized and unrealized gain (loss)	<u>6.46</u>	<u>(3.23)</u>	<u>1.83</u>	<u>(1.33)</u>	<u>0.19</u>
Total from Investment Operations	6.55	(2.75)	2.77	(0.38)	1.63
<b>Less Distributions Declared to shareholders:</b>					
From net investment income	(0.34)	(0.39)	(0.91)	(1.28)	(1.39)
From return of capital	<u>(1.09)</u>	<u>(1.03)</u>	<u>(0.49)</u>	<u>—</u>	<u>(0.21)</u>
Total distributions declared to shareholders	(1.43)	(1.42)	(1.40)	(1.28)	(1.60)
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 21.31	\$ 16.19	\$ 20.36	\$ 18.99	\$ 20.65
Total Return <sup>(b)(c)</sup>	42.42%	(12.98)%	14.59%	(2.42)%	8.18%
<b>Ratios to Average Net Assets/Supplemental Data:<sup>(d)</sup></b>					
Net Assets, End of Period (000's)	\$ 5,903	\$ 2,273	\$ 1,546	\$ 414	\$ 126
Gross operating expenses <sup>(e)</sup>	3.08%	3.41%	4.33%	4.20%	4.75%
Net investment income	0.51%	2.97%	4.56%	4.82%	6.44%
Portfolio turnover rate	41%	42%	39%	49%	99%
Average commission rate paid <sup>(f)</sup>	\$0.0225	\$0.0348	\$0.0222	\$0.0111	\$0.0155

(a) Net investment income (loss) per share was calculated using average shares outstanding during the period.

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below:

(f) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

Supplemental expense ratios are shown below:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses) <sup>(g)</sup>	1.99%	2.44%	2.50%	2.38%	2.01%
Interest expense and commitment fees	—%	0.34%	0.76%	0.22%	—%
Dividends and fees on securities sold short	0.02%	—%	—%	0.08%	0.01%

(g) This includes the additional voluntarily elected waiver by the Investment Adviser during the period which resulted in a 0.18% impact to the net expenses ratio.

Amounts designated as "—" are zero or have been rounded to zero.

# CONSOLIDATED FINANCIAL HIGHLIGHTS (continued)

## NexPoint Real Estate Strategies Fund, Class C

Selected data for a share outstanding throughout each period is as follows:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Year</b>	\$ 16.37	\$ 20.53	\$ 19.10	\$ 20.72	\$ 20.58
<b>Income from Investment Operations:</b>					
Net investment income (loss) <sup>(a)</sup>	(0.04)	0.36	0.79	0.83	1.12
Net realized and unrealized gain (loss)	<u>6.52</u>	<u>(3.22)</u>	<u>1.89</u>	<u>(1.30)</u>	<u>0.46</u>
Total from Investment Operations	6.48	(2.86)	2.68	(0.47)	1.58
<b>Less Distributions Declared to shareholders:</b>					
From net investment income	(0.32)	(0.34)	(0.83)	(1.15)	(1.23)
From return of capital	<u>(0.97)</u>	<u>(0.96)</u>	<u>(0.42)</u>	<u>—</u>	<u>(0.21)</u>
Total distributions declared to shareholders	(1.29)	(1.30)	(1.25)	(1.15)	(1.44)
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 21.56	\$ 16.37	\$ 20.53	\$ 19.10	\$ 20.72
Total Return <sup>(b)(c)</sup>	41.32%	(13.45)%	13.97%	(2.90)%	7.94%
<b>Ratios to Average Net Assets/Supplemental Data:<sup>(d)</sup></b>					
Net Assets, End of Period (000's)	\$ 2,706	\$ 1,791	\$ 880	\$ 511	\$ 1
Gross operating expenses <sup>(e)</sup>	3.85%	4.13%	5.08%	4.93%	5.05%
Net investment income (loss)	(0.21)%	2.14%	3.81%	4.08%	5.39%
Portfolio turnover rate	41%	42%	39%	49%	99%
Average commission rate paid <sup>(f)</sup>	\$0.0225	\$0.0348	\$0.0222	\$0.0111	\$0.0155

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below:

(f) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

Supplemental expense ratios are shown below:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses) <sup>(g)</sup>	2.74%	3.18%	3.28%	3.12%	2.87%
Interest expense and commitment fees	—%	0.34%	0.76%	0.22%	—%
Dividends and fees on securities sold short	0.02%	—%	—%	0.08%	0.13%

(g) This includes the additional voluntarily elected waiver by the Investment Adviser during the period which resulted in a 0.18% impact to the net expenses ratio.

Amounts designated as "—" are zero or have been rounded to zero.

# CONSOLIDATED FINANCIAL HIGHLIGHTS (concluded)

## NexPoint Real Estate Strategies Fund, Class Z

Selected data for a share outstanding throughout each period is as follows:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
<b>Net Asset Value, Beginning of Year</b>	\$ 16.36	\$ 20.55	\$ 19.08	\$ 20.73	\$ 20.57
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.14 <sup>(h)</sup>	0.53	0.99	1.04	1.33
Net realized and unrealized gain (loss)	<u>6.51</u>	<u>(3.26)</u>	<u>1.93</u>	<u>(1.36)</u>	<u>0.48</u>
Total from Investment Operations	6.65	(2.73)	2.92	(0.32)	1.81
<b>Less Distributions Declared to shareholders:</b>					
From net investment income	(0.38)	(0.44)	(0.97)	(1.33)	(1.44)
From return of capital	<u>(1.09)</u>	<u>(1.02)</u>	<u>(0.48)</u>	<u>—</u>	<u>(0.21)</u>
Total distributions declared to shareholders	(1.47)	(1.46)	(1.45)	(1.33)	(1.65)
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 21.54	\$ 16.36	\$ 20.55	\$ 19.08	\$ 20.73
Total Return <sup>(b)(c)</sup>	42.68%	(12.75)%	15.40%	(2.17)%	9.12%
<b>Ratios to Average Net Assets/Supplemental Data:<sup>(d)</sup></b>					
Net Assets, End of Period (000's)	\$15,493	\$12,709	\$17,837	\$13,132	\$ 8,011
Gross operating expenses <sup>(e)</sup>	2.85%	3.24%	4.09%	3.94%	4.60%
Net investment income	0.78%	3.24%	4.80%	5.08%	4.60%
Portfolio turnover rate	41%	42%	39%	49%	99%
Average commission rate paid <sup>(f)</sup>	\$0.0225	\$0.0348	\$0.0222	\$0.0111	\$0.0155

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is at net asset value assuming all distributions are reinvested and no initial sales charge or CDSC. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below:

(f) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

Supplemental expense ratios are shown below:

	For the Years Ended December 31,				
	2021	2020	2019	2018	2017
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses) <sup>(g)</sup>	1.73%	2.19%	2.30%	2.13%	1.87%
Interest expense and commitment fees	—%	0.34%	0.76%	0.22%	—%
Dividends and fees on securities sold short	0.02%	—%	—%	0.08%	—%

(g) This includes the additional voluntarily elected waiver by the Investment Adviser during the period which resulted in a 0.18% impact to the net expenses ratio.

	2021	2020	2019	2018	2017
Borrowings at end of period					
Aggregate Amount Outstanding including Preferred Shares	29,000	31,000	6,459,135	3,354,013	—
Asset Coverage Per \$1,000*	832,099.72	542,072.06	4,137.16	5,191.05	N/A

(h) The per share amount for net investment income (loss) between classes does not accord the aggregate net investment income (loss) for the period due to class specific distribution fees charged to Class A and Class C (see Note 7).

\* See Note 6 for further details.

Amounts designated as "—" are zero or have been rounded to zero.

## Note 1. Organization

NexPoint Real Estate Strategies Fund (the “Fund”) is a Delaware statutory trust and is registered with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), as a non-diversified, closed-end management investment company that operates as an interval fund. The Fund commenced operations on July 1, 2016. This report includes information for the year ended December 31, 2021. The Fund pursues its investment objective by investing, under normal circumstances, at least 80% of its assets (defined as net assets plus the amount of any borrowing for investment purposes) in real estate and real estate related securities. NexPoint Advisors, L.P. (“NexPoint” or the “Investment Adviser”), an affiliate of Highland Capital Management Fund Advisors, L.P. (“Highland”), is the investment adviser to the Fund.

## Fund Shares

The Fund is authorized to issue an unlimited number of shares of beneficial interest with no par value (each a “Share” and collectively, the “Shares”). The Fund currently offers the following three share classes to investors, Class A, Class C and Class Z Shares. A fourth share class, the Class L Shares, has been registered but is not currently offered. Class A Shares are sold with a front-end sales charge. Maximum sales load imposed on purchases of Class A Shares (as a percentage of offering price) is 5.75%. There is no front-end sales charge imposed on individual purchases of Class A Shares of \$500,000 or more. The front-end sales charge is also waived in other instances as described in the Fund’s prospectus. Purchases of \$500,000 or more of Class A Shares at net asset value (“NAV”) pursuant to a sales charge waiver are subject to a 1.00% contingent deferred sales charge (“CDSC”) if redeemed within eighteen months of purchase. Class C Shares may be subject to a CDSC. The maximum CDSC imposed on redemptions of Class C Shares is 1.00% within the first eighteen months of purchase and 0.00% thereafter. No front-end or CDSCs are assessed by the Trust with respect to Class Z Shares of the Fund.

## Note 2. Significant Accounting Policies

The following summarizes the significant accounting policies consistently followed by the Fund in the preparation of its consolidated financial statements.

## Use of Estimates

The Fund is an investment company that follows the investment company accounting and reporting guidance of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946 *Financial Services — Investment Companies* applicable to investment companies. The Fund’s consolidated financial statements have been

prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which require the Investment Adviser to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of increases or decreases in net assets from operations during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

## Basis for Consolidation

The Fund consolidates NRESF REIT Sub, LLC (“NRESF REIT”), a Delaware wholly owned subsidiary, for financial reporting purposes. NRESF REIT is a real estate investment trust and its sole investment, Vinebrook, and its operations are included within the consolidated financial statements of the Fund. All inter-company accounts and transactions have been eliminated in the consolidation. The Fund is the sole shareholder of NRESF REIT, and it is intended that the Fund will remain the sole shareholder and will continue to wholly own and control NRESF REIT. NRESF REIT will be subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Fund when viewed on a consolidation. As of December 31, 2021, NRESF REIT reflected 19.5% of the Fund’s net assets.

## Fund Valuation

Each class of the Fund’s NAV of the Fund’s common shares is calculated daily on each day that the NYSE is open for business as of the close of the regular trading session on the NYSE, usually 4:00 PM, Eastern Time. The NAV is calculated by dividing the value of the Fund’s net assets attributable to common shares by the numbers of common shares outstanding.

## Valuation of Investments

The Fund’s investments are recorded at fair value. In computing the Fund’s net assets attributable to shares, securities with readily available market quotations on the NYSE, National Association of Securities Dealers Automated Quotation (“NASDAQ”), or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies and procedures adopted by the Fund’s Board of Trustees (the “Board”). Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal

December 31, 2021

NexPoint Real Estate Strategies Fund

market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Fund's NAV), will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with policies and procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund's NAV will reflect the affected portfolio securities' fair value as determined by the Board or its designee in good faith as described above instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Fund's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Fund. The NAV shown in the Fund's consolidated financial statements may vary from the NAV published by the Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for consolidated financial statement purposes.

## Fair Value Measurements

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest

level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

- Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;
- Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and
- Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of December 31, 2021, the Fund's investments consisted of Real Estate Investment Trusts ("REITs") and other real estate investments, common stocks, preferred stocks, LLC interest, asset-backed securities, collateralized mortgage obligations, purchased put options and cash equivalents. The fair value of the Fund's bonds are generally based on quotes received from brokers or independent pricing services. Bonds with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Bonds that are priced using

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Fund's common and preferred stocks that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. The Fund's real estate investments include equity interests in limited liability companies and equity issued by REITs that invest in commercial real estate. The fair value of real estate investments that are not actively traded on national exchanges are based on internal models developed by the Investment Adviser. The significant inputs to the models include cash flow projections for the underlying properties, capitalization rates and appraisals performed by independent valuation firms. These inputs are not readily observable, and the Fund has classified the investments as Level 3 assets.

At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund's assets and liabilities as of December 31, 2021 is as follows:

	Total value at December 31, 2021	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Nexpoint Real Estate Strategies Fund</b>				
<b>Assets</b>				
Common Stock				
Real Estate	\$ 2,155,785	\$ 2,155,785	\$ —	\$ —
Real Estate Investment Trust	18,279,404	7,820,920	—	10,458,484
LLC Interest	2,134,966	—	237,582	1,897,384
Preferred Stock				
Financials	885,344	—	—	885,344
Asset-Backed Securities	289,063	—	189,063	100,000
Agency Collateralized Mortgage Obligations	45,112	—	45,112	—
Purchased Put Options	1,950	—	1,950	—
Cash Equivalents	281,958	281,958	—	—
<b>Total Assets</b>	<b>24,073,582</b>	<b>10,258,663</b>	<b>473,707</b>	<b>13,341,212</b>
<b>Liabilities</b>				
Securities Sold Short				
Common Stock				
Real Estate	(839,475)	(839,475)	—	—
Reverse Repurchase Agreements	(29,000)	—	(29,000)	—
<b>Total Liabilities</b>	<b>(868,475)</b>	<b>(839,475)</b>	<b>(29,000)</b>	<b>—</b>
<b>Total</b>	<b>\$23,205,107</b>	<b>\$ 9,419,188</b>	<b>\$444,707</b>	<b>\$13,341,212</b>

in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Reverse repurchase agreements are priced at their acquisition cost, and assessed for credit adjustments, which represent fair value. These investments will generally be categorized as Level 2 liabilities.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period.

Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

The table below sets forth a summary of changes in the Fund's assets measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2021.

Issuer	Balance as of December 31, 2020	Transfers into Level 3	Transfers Out of Level 3	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Gains	Net Unrealized Gains/ (Losses)	Net Purchase	Net (Sales)	Return of Capital	Ending Value as of December 31, 2021	Change in Unrealized Appreciation (Depreciation) from Investments held at December 31, 2021
<b>Preferred Stock</b>											
Caddo Timberland Investment Partnership LP	\$ —	\$—	\$—	\$ —	\$ —	\$ 776,465	\$ 108,879	\$ —	\$ —	\$ 885,344	\$ 776,465
Creek Pine Holdings, LLC	2,049,615	—	—	—	—	(544,381)	—	(1,505,234)	—	—	—
<b>Common Stock</b>											
United Development Funding IV	63,283	—	—	—	—	7,155	—	—	(14,308)	56,130	7,155
IQHQ, Inc.	1,661,000	—	—	—	—	259,532	1,000,005	—	—	2,920,537	259,532
Vinebrook	2,763,427	—	—	—	—	1,500,189	424,643	—	—	4,688,259	1,500,189
NexPoint Storage Partners, Inc.	2,132,489	—	—	—	26,870	916,861	—	—	(282,662)	2,793,558	916,861
<b>LLC Interest</b>											
SFR WLIF I, LLC	1,628,300	—	—	—	—	269,084	—	—	—	1,897,384	269,084
<b>Asset-Backed Securities</b>											
CIFC Funding, Ltd.	121,789	—	—	5,082	—	(26,871)	—	—	—	100,000	(26,871)
<b>Total</b>	<b>\$10,419,903</b>	<b>\$—</b>	<b>\$—</b>	<b>\$5,082</b>	<b>\$26,870</b>	<b>\$3,158,034</b>	<b>\$1,533,527</b>	<b>\$(1,505,234)</b>	<b>\$(296,970)</b>	<b>\$13,341,212</b>	<b>\$3,702,415</b>

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates without observable inputs and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments.

For the year ended December 31, 2021, there were no transfers in or out of Level 3. Determination of fair value is uncertain because it involves subjective judgments and estimates that are unobservable.

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Fair Value at 12/31/2021	Valuation Technique	Unobservable Inputs	Range Input Value(s) (Average Input Value(s))	
Preferred Stock	\$ 885,344	Multiple Analysis	Value per Acre Multiple	\$1,600 - \$1,800 (\$1,700)	
Common Stock	10,458,484	Multiple Analysis	NAV / sh multiple	0.75x - 1.00x (0.875x)	
			Transaction Indication of Value	Offer Price per Share	\$1.10
			Discounted Cash Flow	Discount Rate	9.50%
			Net Asset Value	N/A	N/A
LLC Interest	1,897,384	NAV Approach	Ownership Structure	N/A	
Asset-Backed Securities	100,000	Third Party Indication of Value	Broker Quote	Various	
<b>Total</b>	<b>\$13,341,212</b>				

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

The significant unobservable inputs used in the fair value measurement of the Fund's common stock positions are the discount rate, offer price per share, and NAV per share multiple. A significant increase (decrease) in these inputs in isolation could result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Fund's preferred stock positions is the value per acre multiple. A significant increase (decrease) in this input in isolation could result in a significantly higher (lower) fair value measurement. The significant unobservable input used in the fair value measurement of the Fund's asset backed security positions is the broker quote. A significant increase (decrease) in this input in isolation could result in a significantly higher (lower) fair value measurement.

## Security Transactions

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

## Income Recognition

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount on taxable bonds and loans is computed to the maturity date, while amortization of premium on taxable bonds and loans is computed to the earliest call date, both using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

## U.S. Federal Income Tax Status

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986 (the "Code"), as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded. The Fund recognizes

interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statement of Operations. During the year ended December 31, 2021, the Fund did not incur any interest or penalties.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Fund's consolidated financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

## Distributions to Shareholders

The Fund plans to pay distributions from net investment income monthly and net realized capital gains annually to common shareholders. To permit the Fund to maintain more stable monthly distributions and annual distributions, the Fund may from time to time distribute less than the entire amount of income and gains earned in the relevant month or year, respectively. The undistributed income and gains would be available to supplement future distributions. In certain years, this practice may result in the Fund distributing, during a particular taxable year, amounts in excess of the amount of income and gains earned therein. Such distributions would result in a portion of each distribution occurring in that year to be treated as a return of capital to shareholders. Shareholders of the Fund will automatically have all distributions reinvested in Common Shares of the Fund issued by the Fund in accordance with the Fund's Dividend Reinvestment Plan (the "Plan") unless an election is made to receive cash. The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the NAV per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the NYSE on the Declaration Date. Participants in the Plan requesting a sale of securities through the plan agent of the Plan are subject to a sales fee and a brokerage commission.

## Statement of Cash Flows

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Consolidated Statement of Cash Flows. The cash amount shown in the Consolidated Statement of Cash Flows is the amount included within the Fund's Consolidated

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

Statement of Assets and Liabilities and includes cash on hand at its custodian bank and/or sub-custodian bank(s) and investments in money market funds deemed to be cash equivalents, and restricted cash posted as collateral in a segregated account or with broker-dealers.

## Cash and Cash Equivalents

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Fund also considers money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of this financial report. These balances may exceed the federally insured limits under the Federal Deposit Insurance Corporation ("FDIC").

## Foreign Currency

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Consolidated Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

## Securities Sold Short

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay any dividends or other payments received on such borrowed securities. In some circumstances, a Fund

may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Consolidated Investment Portfolio for the Fund. Cash held as collateral for securities sold short is classified as restricted cash on the Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$819,650 was held with the broker for the Fund. Additionally, securities valued at \$7,019,265 were posted in the Fund's segregated account as collateral. The Fund's loss on a short sale could be unlimited in cases where the Fund is unable, for whatever reason, to close out its short position.

## Other Fee Income

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

## Note 3. Derivative Transactions

The Fund is subject to equity rate risk in the normal course of pursuing its investment objectives. The Fund enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

## Options

The Fund may utilize options on securities or indices to varying degrees as part of their principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Fund may hold options, write option contracts, or both.

If an option written by the Fund expires unexercised, the Fund realizes on the expiration date a capital gain equal to the premium received by the Fund at the time the option was written. If an option purchased by the Fund expires unexercised, the Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be affected when the Fund desires. The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. The Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

### Reverse Repurchase Agreements

The Fund may engage in reverse repurchase agreement transactions with respect to instruments that are consistent with the Fund's investment objective or policies.

### Additional Derivative Information

The Fund is required to disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Fund related to the derivatives.

The fair value of derivative instruments on the Consolidated Statement of Assets and Liabilities have the following risk exposure at December 31, 2021:

Risk Exposure	Fair Value	
	Asset Derivative	Liability Derivative
Equity Price Risk	\$1,950	\$ —

The effect of derivative instruments on the Consolidated Statement of Operations for the year ended December 31, 2021, is as follows:

Risk Exposure	Net Realized Gain (Loss) on Derivatives	Net Change in Unrealized Appreciation/ (Depreciation) on Derivatives
Equity Price Risk	\$(86) <sup>(1)</sup>	\$(18,989) <sup>(2)</sup>

<sup>(1)</sup> Consolidated Statement of Operations location: Realized gain (loss) on investments from unaffiliated issuers.

<sup>(2)</sup> Consolidated Statement of Operations location: Net change in unrealized appreciation (depreciation) on investments from unaffiliated issuers.

The average monthly volume of derivative activity for the periods in which the Fund had outstanding activity is as follows:

	Units/ Contracts	Market Value
Purchased Options Contracts	390	\$11,700

### Note 4. U.S. Federal Income Tax Information

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from GAAP. These differences include (but are not limited to), losses deferred due to wash sale transactions, partnerships, paydowns and reclasses relating to real estate investment trusts. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. The actual character of amounts received is not known until after the REIT's fiscal year end, and this amount may be revised after the tax reporting period concludes. These reclassifications have no impact on net investment income, realized gains or losses, or NAV of the Fund.

For the year ended December 31, 2021, permanent differences chiefly resulting from return of capital distributions were identified and reclassified among the components of the Fund's net assets as follows:

Paid-in Capital	Total Distributable Earnings (Loss)
\$(304,022)	\$304,022

For the year ended December 31, 2021, the Fund's most recent tax year end, components of distributable earnings on a tax basis are as follows:

Undistributed Ordinary Income	Other Temporary Differences	Capital Loss Carryforward	Net Tax Appreciation/ (Depreciation)
\$ —	\$ —	\$(2,472,691)	\$6,991,864

For the year ended December 31, 2021, the Fund had capital loss carryovers as indicated below. During the year ended December 31, 2021, the Fund utilized \$1,750,694 of capital loss carryovers. The capital loss carryovers are available to offset future realized capital gains to the extent provided in the Code and regulations promulgated thereunder.

	Capital Loss Carryover
No expiration Short Term	\$1,481,047
No expiration Long Term	991,644
Total	2,472,691

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

The tax character of distributions paid during the year ended December 31, 2021 (unless otherwise indicated) is as follows:

Distributions Paid From:	2021	2020
Ordinary Income <sup>(1)</sup>	\$ 401,936	\$ 428,262
Realized Gains	—	—
Return of Capital	1,222,548	1,031,872

<sup>(1)</sup> For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

The above mentioned distributions are reflected on a tax basis.

The Federal tax cost and gross unrealized appreciation and depreciation on investments (including foreign currency, derivatives and securities sold short, if applicable) held by the Fund at December 31, 2021, were as follows:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation) <sup>(1)</sup>	Cost
\$7,435,182	\$(443,318)	\$6,991,864	\$16,723,040

<sup>(1)</sup> Any differences between book-basis and tax-basis net unrealized appreciation/(depreciation) are primarily due to wash sales, partnerships and consolidation.

## Note 5. Reverse Repurchase Agreement

On October 3, 2019, the Fund entered into an agreement with Mizuho Securities USA LLC (“Mizuho Securities”) under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the “Repurchase Agreement”). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the “Purchase Price”), with a simultaneous agreement to repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. This creates leverage for the Fund because the cash received can be used to purchase other securities.

At December 31, 2021, the Fund had investments in reverse repurchase agreements with a gross value of \$29,000, which is reflected as reverse repurchase agreements on the Consolidated Statement of Assets and Liabilities. The value of the related collateral exceeded the value of the reverse repurchase agreements at December 31, 2021. The collateral pledged for the reverse repurchase agreements, with maturities ranging from 30 to 90 days, include Agency Collateralized Mortgage Obligations. The Fund’s average

daily balance was \$30,706 at a weighted average interest rate of 1.16% for the days outstanding.

## Note 6. Asset Coverage

The Fund is required to maintain 300% asset coverage with respect to any amounts borrowed. Asset coverage is calculated by subtracting the Fund’s total liabilities, not including any amount representing bank borrowings and senior securities, from the Fund’s total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Fund’s debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding	% of Asset Coverage of Indebtedness
12/31/2021	\$ 29,000	83,209.97%
12/31/2020	31,000	54,078.17
12/31/2019	6,459,135	413.72
12/31/2018	3,354,013	519.10
12/31/2017	—	N/A

## Note 7. Investment Advisory, Service and Distribution, Trustee and Other Fees

### Investment Advisory Fee

The Investment Adviser to the Fund receives an annual fee, paid monthly, in an amount equal to 1.25% of the Fund’s Average Daily Managed Assets. The Fund’s “Average Daily Managed Assets” is an amount equal to the total assets of the Fund, including assets resulting from leverage, less any liabilities not representing leverage. On occasion, the Investment Adviser voluntarily waives additional fees to the extent assets are invested in certain affiliated investments.

### Service and Distribution Fees

NexPoint Securities, Inc. (the “Distributor”), an affiliate of the Investment Adviser, serves as the principal underwriter and distributor of the Fund’s shares. The Distributor receives the front-end sales charge imposed on the sale of Class A Shares and the CDSC imposed on certain redemptions of Class A and Class C Shares. The Fund has adopted a “Shareholder Servicing Plan and Agreement” (the “Plan”) under which the Fund may compensate financial industry professionals for providing ongoing services in respect of clients with whom they have distributed shares of the Fund. The Plan operates in a manner consistent with Rule 12b-1 under the 1940 Act, which regulates the manner in which an open-end investment company may directly or indirectly bear the expenses of distributing its shares. Although the Fund is not an open-end investment company, it has undertaken to comply with the terms of Rule 12b-1 as a condition of an exemptive order under the 1940 Act which permits it to have a multi-class structure, CDSCs and distribution and shareholder servicing

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

fees. Under the Plan, the Fund may incur expenses on an annual basis equal to 0.25% of the average net assets of the Class A and Class C Shares.

Class C shares will pay to the Distributor a distribution fee that will accrue at an annual rate equal to 0.75% of the Fund's average daily net assets attributable to Class C shares and will be payable on a quarterly basis.

## Expense Limitation Agreement

The Investment Adviser and the Fund have entered into an expense limitation and reimbursement agreement (the "Expense Limitation Agreement") under which the Investment Adviser has agreed contractually to waive its fees and to pay or absorb the ordinary operating expenses of the Fund (including organizational and offering expenses, but excluding distribution fees, interest, dividend expenses on short sales, brokerage commissions and other transaction costs, acquired fund fees and expenses, taxes, expenses payable by the Fund for third party administration services, other capitalized expenditures, expenses in other investment companies, litigation expenses and extraordinary expenses), to the extent that they exceed 1.75% per annum of the Fund's average Daily Gross Assets (the "Expense Limitation"). "Daily Gross Assets" is defined in the Expense Limitation Agreement as an amount equal to total assets, less any liabilities, but excluding liabilities evidencing leverage. If the Fund incurs expenses excluded from the Expense Limitation Agreement, the Fund's expense ratio would be higher and could exceed the Expense Limitation. In consideration of the Investment Adviser's agreement to limit the Fund's expenses, the Fund has agreed to repay the Investment Adviser in the amount of any fees waived and Fund expenses paid or absorbed, subject to the limitations that: (1) the reimbursement for fees and expenses will be made only if payable not more than three years from the date of the reimbursement; and (2) the reimbursement may not be made if it would cause the Expense Limitation as of the time of waiver to be exceeded. Any such recoupment by the Investment Adviser will not cause a class to exceed the annual limitation rate in effect at the time of the actual waiver/reimbursement or at the date of the recoupment. The Expense Limitation Agreement will remain in effect until at least May 1, 2022 unless and until the Board approves its modification or termination. The Expense Limitation Agreement may be terminated only by the Board. After the expiration of the Expense Limitation Agreement, the agreement may be renewed at the discretion of the Investment Adviser and the Board.

On December 31, 2021, the amount subject to possible future recoupment under the Expense Limitation were as follows:

Expiring during Fiscal Years Ending December 31,		
2022	2023	2024
\$224,966	\$173,902	\$192,124*

\* The difference between fees waived on the Consolidated Statement of Operations and fees available to recoup, relate to fees voluntarily waived by the Investment Advisor.

During the year ended December 31, 2021, the Investment Adviser did not recoup any amounts previously waived or reimbursed, and \$214,266 of fees previously waived and or reimbursed in the Fund by the Investment Adviser that were eligible for recoupment expired. No other amounts expired or were recouped from the Fund during the year ended December 31, 2021.

## Fees Paid to Officers and Trustees

Each Trustee receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex overseen by such Trustee based on relative net assets. The Chairman of the Audit Committee and the Chairman of the Board each receive an additional annual payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex based on relative net assets. The "Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers as of the date of this report and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940.

The Fund pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings.

The Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan.

## Due to Adviser

The balance shown as "Investment advisory fees" on the Consolidated Statement of Assets and Liabilities represents amounts owed to the Investment Adviser for advisory fees and Fund expenses paid by the Investment Adviser.

## Indemnification

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course

December 31, 2021

NexPoint Real Estate Strategies Fund

of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

### Other Matters

The Investment Adviser has entered into a Services Agreement (the "Services Agreement") with Skyview Group ("Skyview"), effective February 25, 2021, pursuant to which NexPoint will receive administrative and operational support services to enable it to provide the required advisory services to the Fund. The Investment Adviser, and not the Fund, will compensate all Investment Adviser and Skyview personnel who provide services to the Fund.

### Note 8. Repurchase of Shares

Once each quarter, the Fund will offer to repurchase at NAV no more than 5% of the outstanding shares of the Fund (the "Repurchase Offer Amount"), unless such offer is suspended or postponed in accordance with regulatory requirements. The offer to purchase shares is a fundamental policy that may not be changed without the vote of the holders of a majority of the Fund's outstanding voting securities (as defined in the 1940 Act). Shareholders will be notified in writing of each quarterly repurchase offer and the date the repurchase offer ends (the "Repurchase Request Deadline"). Shares will be repurchased at the NAV per share determined as of the close of regular trading on the NYSE no later than the 14th day after the Repurchase Request Deadline, or the next business day if the 14th day is not a business day.

If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund will repurchase the shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. In addition, the Fund will accept the total number of shares tendered in connection with required minimum distributions from an IRA or other qualified retirement plan.

The Fund conducted its quarterly tender offer from February 23, 2021, until expiration on March 22, 2021 at 4:00 p.m. New York City time, during which the Fund offered to purchase for cash up to 5.0% of its outstanding shares of common stock. During the first quarter tender offer, 57,054 shares of the Fund were tendered for repurchase at a weighted average price of \$16.86/share, constituting approximately 5.00% of the Fund's outstanding shares.

The Fund conducted its quarterly tender offer from May 21, 2021 until expiration on June 21, 2021 at 4:00 p.m. New York

City time, during which the Fund offered to purchase for cash up to 5.0% of its outstanding shares of common stock. During the second quarter tender offer, 59,490 shares of the Fund were tendered for repurchase at a weighted average price of \$18.05/share, constituting approximately 5.01% of the Fund's outstanding shares.

The Fund conducted its quarterly tender offer from August 20, 2021, until expiration on September 20, 2021 at 4:00 p.m. New York City time, during which the Fund offered to purchase for cash up to 5.0% of its outstanding shares of common stock. During the third quarter tender offer, 59,536 shares of the Fund were tendered for repurchase at a weighted average price of \$19.01/share, constituting approximately 5.00% of the Fund's outstanding shares.

The Fund conducted its quarterly tender offer from November 22, 2021, until expiration on December 20, 2021 at 4:00 p.m. New York City time, during which the Fund offered to purchase for cash up to 5.0% of its outstanding shares of common stock. During the first quarter tender offer, 37,914 shares of the Fund were tendered for repurchase at a weighted average price of \$20.30/share, constituting approximately 3.28% of the Fund's outstanding shares.

### Note 9. Disclosure of Significant Risks and Contingencies

The Fund's investments expose the Fund to various risks, certain of which are discussed below. Please refer to the Fund's prospectus and statement of additional information for a full listing of risks associated with the Fund's investments.

#### Concentration in Real Estate Securities Risk

Although the Fund does not invest directly in real estate, the Fund will concentrate its investments in investment vehicles that invest principally in real estate and real estate related securities, its portfolio will be significantly impacted by the performance of the real estate market and may experience more volatility and be exposed to greater risk than a more diversified portfolio. The values of companies engaged in the real estate industry are affected by: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates and leverage.

#### Debt Securities Risk

When the Fund invests in debt securities, the value of the investment in the Fund will fluctuate with changes in interest

December 31, 2021

NexPoint Real Estate Strategies Fund

rates. Typically, a rise in interest rates causes a decline in the value of debt securities. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk (the debtor may default) and prepayment risk (the debtor may pay its obligation early, reducing the amount of interest payments). These risks could affect the value of a particular investment, possibly causing the Fund's share price and total return to be reduced or fluctuate more than other types of investments. This kind of market risk is generally greater for funds investing in debt securities with longer maturities.

### Equity Securities Risk

The risk that stock prices will fall over short or long periods of time. In addition, common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

### Exchange-Traded Funds ("ETF") Risk

The risk that the price movement of an ETF may not exactly track the underlying index and may result in a loss. In addition, shareholders bear both their proportionate share of the Fund's expenses and similar expenses of the underlying investment company when the Fund invests in shares of another investment company.

### Illiquid and Restricted Securities Risk

The investments made by the Fund may be illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Fund's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Fund, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the securities are registered under the Securities Act at a Fund's expense, the Fund's expenses would be increased.

### Leverage Risk

The Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund was not leveraged.

The Fund's leverage facility utilizes LIBOR as the reference rate for interest rate calculations. On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced that it will stop encouraging banks to provide the quotations needed to sustain LIBOR. The ICE Benchmark Administration Limited, the administrator of LIBOR, ceased publishing most LIBOR maturities, including some US LIBOR maturities, on December 31, 2021, and is expected to cease publishing the remaining and most liquid US LIBOR maturities on June 30, 2023. It is expected that market participants have or will transition to the use of alternative reference or benchmark rates prior to the applicable LIBOR publication date. Additionally, although regulators have encouraged the development and adoption of alternative rates, such as the Secured Overnight Financing Rate ("SOFR"), the future utilization of LIBOR or of any particular replacement rate remains uncertain.

Although the transition process away from LIBOR has become increasingly well-defined in advance of the anticipated discontinuation dates, the impact on certain debt securities, derivatives and other financial instruments remains uncertain. It is expected that market participants will adopt alternative rates such as SOFR or otherwise amend financial instruments referencing LIBOR to include fallback provisions and other measures that contemplate the discontinuation of LIBOR or other similar market disruption events, but neither the effect of the transition process nor the viability of such measures is known. Further, uncertainty and risk remain regarding the willingness and ability of issuers and lenders to include alternative rates and revised provisions in new and existing contracts or instruments. To facilitate the transition of legacy derivatives contracts referencing LIBOR, the International Swaps and Derivatives Association, Inc. launched a protocol to incorporate fallback provisions. While the transition process away from LIBOR has become increasingly well-defined in advance of the expected LIBOR cessation dates, there are obstacles to converting

December 31, 2021

NexPoint Real Estate Strategies Fund

certain longer term securities and transactions to a new benchmark or benchmarks and the effectiveness of one alternative reference rate versus multiple alternative reference rates in new or existing financial instruments and products has not been determined. Furthermore, the risks associated with the cessation of LIBOR and transition to replacement rates may be exacerbated if an orderly transition to alternative reference rates is not completed in a timely manner. Certain proposed replacement rates to LIBOR, such as SOFR, which is a broad measure of secured overnight US Treasury repo rates, are materially different from LIBOR, and changes in the applicable spread for financial instruments transitioning away from LIBOR will need to be made to accommodate the differences. Furthermore, the risks associated with the expected discontinuation of LIBOR and transition to replacement rates may be exacerbated if an orderly transition to an alternative reference rate is not completed in a timely manner. As market participants transition away from LIBOR, LIBOR's usefulness may deteriorate and these effects could be experienced until the permanent cessation of the majority of U.S. LIBOR rates in 2023. The transition process may lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. LIBOR's deterioration may adversely affect the liquidity and/or market value of securities that use LIBOR as a benchmark interest rate.

## Liquidity Risk

There is currently no secondary market for the shares and the Fund expects that no secondary market will develop. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the shares outstanding at NAV. There is no guarantee that shareholders will be able to sell all of the shares they desire in a quarterly repurchase offer.

## Management Risk

The risk associated with the fact that the Fund relies on the Investment Adviser's ability to achieve its investment objective. The Investment Adviser may be incorrect in its assessment of the intrinsic value of the companies whose securities the Fund holds, which may result in a decline in the value of fund shares and failure to achieve its investment objective.

## Mortgage-Backed Securities Risk

The risk of investing in mortgage-backed securities, and includes interest rate risk, liquidity risk and credit risk, which may be heightened in connection with investments in loans to "subprime" borrowers. Certain mortgage-backed securities are also subject to prepayment risk. Mortgage-backed securities, because they are backed by mortgage loans, are

also subject to risks related to real estate, and securities backed by private-issued mortgages may experience higher rates of default on the underlying mortgages than securities backed by government-issued mortgages. The Fund could lose money if there are defaults on the mortgage loans underlying these securities.

## Pandemics and Associated Economic Disruption

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally ("COVID-19"). This coronavirus has resulted in and may continue to result in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. The impact of this coronavirus may be short-term or may last for an extended period of time and has resulted in a substantial economic downturn. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Fund's ability to complete repurchase requests, and affect Fund performance. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on your investment in the Fund. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

The United States responded to the coronavirus pandemic and resulting economic distress with fiscal and monetary stimulus packages, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") passed in late March 2020. The CARES ACT provides for over \$2.2 trillion in resources to small businesses, state and local governments, and individuals adversely impacted by the COVID-19 pandemic. In mid-March 2020, the U.S. Federal Reserve (the "Fed") cut interest rates to historically low levels and announced a new round of quantitative easing, including purchases of corporate and municipal government bonds. The Fed also enacted various programs to support liquidity operations and funding in the financial markets, including expanding its reverse repurchase agreement operations, which added \$1.5 trillion of liquidity to the banking system;

December 31, 2021

NexPoint Real Estate Strategies Fund

establishing swap lines with other major central banks to provide dollar funding; establishing a program to support money market funds; easing various bank capital buffers; providing funding backstops for businesses to provide bridging loans for up to four years; and providing funding to help credit flow in asset-backed securities markets. In addition, the Fed extended credit to small- and medium-sized businesses. As the Fed “tapers” or reduces the amount of securities it purchases pursuant to quantitative easing, and/or if the Fed raises the federal funds rate, there is a risk that interest rates will rise, which could expose fixed-income and related markets to heightened volatility and could cause the value of a fund’s investments, and the fund’s NAV, to decline, potentially suddenly and significantly. As a result, the fund may experience high redemptions and, as a result, increased portfolio turnover, which could increase the costs that the Fund incurs and may negatively impact the fund’s performance. There is no assurance that the U.S. government’s support in response to COVID-19 economic distress will offset the adverse impact to securities in which the Fund may invest and future governmental support is not guaranteed.

### Preferred Stock Risk

Preferred stock, which may include preferred stock in real estate transactions, represents an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. In the event an issuer is liquidated or declares bankruptcy, the claims of creditors and owners of bonds take precedence over the claims of those who own preferred and common stock. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the price of preferred stocks to decline. Preferred stock may have mandatory sinking fund provisions, as well as provisions allowing the stock to be called or redeemed prior to its maturity, which can have a negative impact on the stock’s price when interest rates decline. Unlike interest on debt securities, preferred stock dividends are payable only if declared by the issuer’s board. The value of convertible preferred stock can depend heavily upon the value of the security into which such convertible preferred stock is converted, depending on whether the market price of the underlying security exceeds the conversion price.

### Real Estate Industry Risk

Issuers principally engaged in real estate industry, including real estate investment trusts, may be subject to risks similar to the risks associated with the direct ownership of real estate, including: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in

property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates and leverage.

### REIT Risk

Real estate investments trusts (“REITs”) may be affected by changes in the real estate markets generally as well as changes in the values of the properties owned by the REIT or securing the mortgages owned by the REIT. REITs are dependent upon management skill and are not diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for special tax treatment under the Code, and to maintain an exemption under the 1940 Act. Finally, certain REITs may be self-liquidating at the end of a specified term, and run the risk of liquidating at an economically inopportune time.

### Reverse Repurchase Agreement Risk

The Fund may enter into reverse repurchase transactions with BNP Securities or other banks and securities dealers. A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of, rather than the investor in, securities or other assets and agrees to repurchase them at a date certain or on demand. Use of a reverse repurchase transaction may be preferable to a regular sale and later repurchase of securities or other assets because it avoids certain market risks and transaction costs. Reverse repurchase transactions involve the risk that the market value of securities and/or other assets purchased by the Fund with the proceeds received by the Fund in connection with such reverse repurchase transactions may decline below the market value of the securities the Fund is obligated to repurchase under such reverse repurchase transactions. They also involve the risk that the counterparty liquidates the securities delivered to it by the Fund under the reverse repurchase agreement following the occurrence of an event of default under the reverse repurchase agreement by the Fund. At the time when the Fund enters into a reverse repurchase transactions, liquid securities (cash, U.S. Government securities or other debt obligations) of the Fund having a value at least as great as the Purchase Price of the securities to be purchased will be segregated on the books of the Fund throughout the period of the obligation. The use of these investment strategies may increase net asset value fluctuation.

### Securities Lending Risk

The Fund may make secured loans of its portfolio securities. Any decline in the value of a portfolio security that occurs while the security is out on loan is borne by the Fund, and

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

will adversely affect performance. Also, there may be delays in recovery of securities loaned, losses in the investment of collateral, and loss of rights in the collateral should the borrower of the securities fail financially while holding the security.

### Structured Finance Securities Risk

A portion of the Fund's investments may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Such structured finance securities are generally backed by an asset or a pool of assets, which serve as collateral. Depending on the type of security, the collateral may take the form of a portfolio of mortgage loans or bonds or other assets. The Fund and other investors in structured finance securities ultimately bear the credit risk of the underlying collateral. In some instances, the structured finance securities are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. The riskiest securities are the equity tranche, which bears the bulk of defaults from the bonds or loans serving as collateral, and thus may protect the other, more senior tranches from

default. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. A senior tranche typically has higher ratings and lower yields than the underlying securities, and may be rated investment grade. Despite the protection from the equity tranche, other tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to previous defaults and the disappearance of protecting tranches, market anticipation of defaults and aversion to certain structured finance securities as a class.

### Note 10. Investment Transactions Purchases & Sales of Securities

The cost of purchases and the proceeds from sales of investments, other than short-term securities, for the year ended December 31, 2021, were as follows:

Other Securities	
Purchases	Sales
\$8,313,771	\$8,768,191

### Note 11. Affiliated Issuers

Under Section 2(a)(3) of the 1940 Act, as amended, a portfolio company is defined as "affiliated" if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund for the year ended December 31, 2021:

Issuer	Shares at December 31, 2020	Beginning Value as of December 31, 2020	Value of Transfers In	Value of Transfers Out	Purchases at Cost	Proceeds from Sales	Distribution to Return of Capital	Net Realized Gain/Loss on the Sales of Affiliated Issuers	Change Unrealized Appreciation/Depreciation	Ending Value as of December 31, 2021	Shares at December 31, 2021	Affiliated Income
<b>Other Affiliates</b>												
Vinebrook (Common Stocks)	75,586	\$ 2,763,427	\$—	\$—	\$ 424,643	\$ —	\$ —	\$ —	\$1,500,189	\$ 4,688,259	86,595	\$174,643
NexPoint Residential Trust, Inc. REIT (Common Stocks)	36,822	1,557,939	—	—	—	—	(48,463)	—	1,577,312	3,086,788	36,822	—
NexPoint Real Estate Finance (Common Stocks)	65,700	1,085,364	—	—	2,234,692	—	(28,300)	24,501	(26,239)	3,290,018	170,910	196,480
NREF OP I, L.P. REIT (LLC Interest)	12,342	203,889	—	—	—	—	—	—	33,693	237,582	12,342	20,673
NexPoint Real Estate Finance Operating Partnership, L.P. REIT (LLC Interest)	105,211	1,738,083	—	—	—	(2,234,710)	—	149,431	347,196	—	—	99,950
NexPoint Storage Partners, Inc.	2,005	2,132,489	—	—	—	—	(282,662) <sup>†</sup>	26,870	916,861	2,793,558	2,005	—
SFR WLIF I, LLC	2,000,000	1,628,300	—	—	—	—	—	—	269,084	1,897,384	2,000,000	157,705
<b>Total</b>	<b>2,297,666</b>	<b>\$11,109,491</b>	<b>\$—</b>	<b>\$—</b>	<b>\$2,659,335</b>	<b>\$(2,234,710)</b>	<b>\$(359,425)</b>	<b>\$200,802</b>	<b>\$4,618,096</b>	<b>\$15,993,589</b>	<b>2,308,674</b>	<b>\$648,525</b>

<sup>†</sup> Prior year return of capital adjustment of \$(282,662), resulting in the Fund reporting a negative value for income received from NexPoint Storage Partners, Inc. Information related to these adjustments was not received until after the finalization of the prior period financial statements. Amounts designated as "—" are \$0.

December 31, 2021

NexPoint Real Estate Strategies Fund

## Note 12. Securities Lending

Effective January, 7, 2020, the Investment Adviser entered into a securities lending agreement with The Bank of New York Mellon (“BNY” or the “Lending Agent”). Securities lending transactions are entered into by the Fund under the Securities Lending Agreement, (“SLA”) which permits the Fund, under certain circumstances such as an event of default, to offset amounts payable by the Fund to the same counterparty against amounts receivable from the counterparty to create a net payment due to or from the Fund.

The Fund could seek additional income by making secured loans of its portfolio securities through its custodian. Such loans are not greater than one-third of the value of the Fund’s total assets. BNY charges a fund fees based on a percentage of the securities lending income.

The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral is returned by the Fund, on the next business day.

The Fund receives collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Fund a loan premium fee. If the collateral consists of cash, BNY reinvests the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Fund also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to SLA, which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the

event that a borrower defaulted, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of a SLA counterparty’s bankruptcy or insolvency. Under the SLA, the Fund can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, the Fund benefits from a borrower default indemnity provided by BNY. BNY’s indemnity generally provides for replacement of securities lent or the approximate value thereof.

## Note 13. Significant Subsidiaries

In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Fund evaluates its controlled subsidiaries as significant subsidiaries under the respective rules. As of December 31, 2021, NRESF REIT Sub, LLC was considered a significant subsidiary under Regulation S-X Rule 4-08(g). Based on the requirements under Regulation S-X Rule 4-08(g), the Investment Adviser has determined that consolidation is the most meaningful presentation and consolidated NRESF REIT Sub, LLC as of the year ended December 31, 2021.

## Note 14. Subsequent Events

Management has evaluated the impact of all subsequent events on the Fund through the date the consolidated financial statements were issued, and has determined that there were no subsequent events to report which have not already been recorded or disclosed in these consolidated financial statements and accompanying notes other than detailed below.

Effective January 1, 2022, the Board appointed Pamela Corrie to serve as a member of the Board of Trustees of the Fund.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## To the Shareholders and Board of Trustees of NexPoint Real Estate Strategies Fund

### *Opinion on the Financial Statements*

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated investment portfolio, of NexPoint Real Estate Strategies Fund (the “Fund”) as of December 31, 2021, the related consolidated statements of operations and cash flows for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, the related notes, and the consolidated financial highlights for each of the four years in the period then ended (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021, the results of its operations and its cash flows for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund’s financial highlights for the year ended December 31, 2017, were audited by other auditors whose report dated February 28, 2018, expressed an unqualified opinion on those financial highlights.

### *Basis for Opinion*

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2021, by correspondence with the custodian, transfer agents, issuers, and brokers. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund’s auditor since 2018.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
March 4, 2022

## ADDITIONAL INFORMATION (unaudited)

December 31, 2021

NexPoint Real Estate Strategies Fund

### Investment and Strategy Overview

The Fund's investment objective is to seek long-term total return, with an emphasis on current income

The Fund seeks to achieve its investment objective by primarily investing in a broad range of private and public real estate-related debt, equity and preferred equity investments. There can be no assurance that the Fund will achieve this objective. The Fund's investment objective is non-fundamental and may be changed by the Board without shareholder approval. Shareholders will, however, receive at least 60 days' prior notice of any change in this investment objective.

**Investment Strategy.** The Fund pursues its investment objective by investing, under normal circumstances, at least 80% of its assets in "real estate and real estate-related securities" (as defined below). In particular, the Fund will pursue its investment objective by investing the Fund's assets primarily in (1) commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS"), (2) direct preferred equity and mezzanine investments in real properties (3) equity securities of public (both traded and non-traded) and private debt and equity real estate investment trusts ("REITs") and/or real estate operating companies ("REOCs") and (4) opportunistic and value added direct real estate strategies. The Fund will affect its direct real estate strategy through investments in one or more REIT subsidiaries, including through the REIT Subsidiary, which was formed on July 8, 2016. The REIT Subsidiary entered into a separate investment advisory agreement with the Adviser concurrent with its formation.

Preferred equity and mezzanine investments in real estate transactions come in various forms which may or may not be documented in the borrower's organizational documents. Generally, real estate preferred equity and/or mezzanine investments are typically junior to first mortgage financing but senior to the borrower's or sponsor's equity contribution. The investments are typically structured as an investment by a third-party investor in the real estate owner or various affiliates in the chain of ownership in exchange for a direct or indirect ownership interest in the real estate owner entitling it to a preferred/priority return on its investment. Sometimes, the investment is structured much like a loan where (i) "interest" on the investment is required to be paid monthly by the "borrower" regardless of available property cash flow; (ii) the entire investment is required to be paid by a certain maturity date; (iii) default rate "interest" and penalties are assessed against the "borrower" in the event payments are not made timely; and (iv) a default in the repayment of investment potentially results in the loss of management.

In addition, subject to the 15% Limitation, (as defined below) the Fund may invest up to 20% of its total assets in equity or

debt securities other than real estate and real estate-related securities. The Adviser will evaluate each opportunity within the context of where the Adviser believes the various real estate subsectors are within the broader real estate cycle and tactically allocate among these opportunities. The Adviser has broad discretion to allocate the Fund's assets among these investment categories and to change allocations as conditions warrant. Also, the Adviser will select investments it believes offer the best potential outcomes and relative risk to assemble the most appropriate portfolio to meet the risk-adjusted return goals of the Fund.

This portfolio construction strategy seeks to (i) recognize and allocate capital based upon where the Adviser believes we are in the current real estate cycle, and as a result (ii) minimize drawdowns during market downturns and maximize risk adjusted returns during all market cycles, though there can be no assurance that this strategy will achieve this objective. The Fund will rely on the expertise of the Adviser and its affiliates to determine the appropriate structure for structured credit investments, which may include bridge loans, common and preferred equity or other debt-like positions, as well as the acquisition of such instruments from banks, servicers or other third parties.

The Fund defines "real estate and real estate-related securities" to consist of common stock, convertible or non-convertible preferred stock, warrants, convertible or non-convertible secured or unsecured debt, and partnership or membership interests issued by:

- CMBS, RMBS and other real estate credit investments, which include existing first and second mortgages on real estate, either originated or acquired in the secondary market, and secured, unsecured and/or convertible notes offered by REOCs and REITs;
- Public REITs;
- REOCs;
- Private Real Estate Investment Funds;
- Public Investment Funds;
- Real estate exchange-traded funds ("ETFs"); and
- Non-Traded REITs and private REITs, generally wholly-owned by the Fund or wholly-owned or managed by an affiliate.

REITs are pooled investment vehicles that invest primarily in income-producing real estate or real estate-related loans or interests, and REOCs are companies that invest in real estate and whose shares trade on public exchanges. Foreign REIT equivalents are entities located in jurisdictions that have adopted legislation substantially similar to the REIT tax

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021

provisions in that they provide for favorable tax treatment for the foreign REIT equivalent and require distributions of income to shareholders.

The Fund has not imposed limitations on the portion of its assets that may be invested in any of the categories outlined above other than Private Real Estate Investment Funds. The Fund, however, will limit its investments in Private Real Estate Investment Funds and any other investments that are excluded from the definition of “investment company” under the 1940 Act by Section 3(c)(1) or Section 3(c)(7) of the 1940 Act to no more than 15% of its net assets (the “15% Limitation”). Such entities are typically private equity funds and hedge funds. This limitation does not apply to any collateralized loan obligations (“CLOs”), certain of which may rely on Section 3(c)(1) or 3(c)(7) of the 1940 Act. For purposes of compliance with the 15% Limitation, the Fund will not count its direct investments in wholly-owned subsidiaries but will look through such subsidiaries and count their underlying holdings.

**Leverage.** The Fund incurs leverage as part of its investment strategy. The Fund will target overall leverage at 25% of the Fund’s total assets immediately after giving effect to such leverage, but may incur leverage up to 33.33% of the Fund’s total assets as permitted by the 1940 Act. There can be no assurance that any leveraging strategy the Fund employs will be successful during any period in which it is employed. The Fund may also invest in Private Real Estate Investment Funds, Public REITs, REOCs and Non-Traded REITs, which may incur higher levels of leverage. Accordingly, the Fund through these investments may be exposed to higher levels of leverage than the Fund is permitted to incur itself, including a greater risk of loss with respect to such investments as a result of higher leverage employed by such entities. The Fund intends to leverage its portfolio through a master repurchase agreement entered into with Mizuho Securities that allows the Fund to enter into reverse repurchase transactions from time to time pursuant to the terms of the master repurchase agreement.

In addition to any indebtedness incurred by the Fund, any subsidiary of the Fund, including the REIT Subsidiary, may also utilize leverage, including by mortgaging properties held by special purpose vehicles, or by acquiring property with existing debt. Any such borrowings will generally be the sole obligation of each respective special purpose vehicle, without any recourse to any other special purpose vehicle, the REIT Subsidiary, the Fund or its assets, and the Fund will not treat such non-recourse borrowings as senior securities (as defined in the 1940 Act) for purposes of complying with the 1940 Act’s limitations on leverage unless the financial statements of the special purpose vehicle, or the subsidiary of the Fund that owns such special purpose vehicle, will be consolidated in accordance with Regulation S-X and other

NexPoint Real Estate Strategies Fund

accounting rules. If cash flow is insufficient to pay principal and interest on a special purpose vehicle’s borrowings, a default could occur, ultimately resulting in foreclosure of any security instrument securing the debt and a complete loss of the investment, which could result in losses to the REIT Subsidiary and, therefore, to the Fund. To the extent that any subsidiaries of the Fund, including the REIT Subsidiary, directly incur leverage in the form of debt (as opposed to non-recourse borrowings made through special purpose vehicles), the amount of such recourse leverage used by the Fund and such subsidiaries, including the REIT Subsidiary, will be consolidated and treated as senior securities for purposes of complying with the 1940 Act’s limitations on leverage by the Fund.

### Tax Information

For shareholders that do not have a December 31, 2021 tax year end, this notice is for informational purposes only. For shareholders with a December 31, 2021 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended December 31, 2021, the following Fund is designating the following items with regard to earnings for the year.

Return of Capital	Ordinary Income Distribution	Total Distribution	
75.26%	24.74%	100.00%	
Dividend Received Deduction <sup>(1)</sup>	Qualified Dividend Income <sup>(2)</sup>	U.S. Government Interest <sup>(3)</sup>	Interest Related Dividends <sup>(4)</sup>
0.00%	0.09%	0.00%	0.00%
Short-Term Capital Gain Dividends <sup>(5)</sup>	Qualifying Business Income <sup>(6)</sup>		
0.00%	43.60%		

(1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).

(2) The percentage in this column represents the amount of “Qualifying Dividend Income” as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of the aforementioned Fund to designate the maximum amount permitted by law.

(3) “U.S. Government Interest” represents the amount of interest that was derived from direct U.S. Government obligations and distributed during the fiscal year. This amount is reflected as a percentage of ordinary income. Generally, interest from direct U.S. Government obligations is exempt from state income tax. Shareholder who are residents of California, Connecticut and New York, these funds have not met the statutory requirements to permit exemption of these amounts from state income tax.

(4) The percentage in this column represents the amount of “Interest Related Dividends” as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.

(5) The percentage in this column represents the amount of “Short-Term Capital Gain Dividend” as created by the American Jobs Creation Act of

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021

NexPoint Real Estate Strategies Fund

2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.

<sup>(6)</sup> The percentage in this column represents the amount of ordinary dividend income that qualified for 20% Business Income Deduction.

The information herein may differ from the information and distributions taxable to the shareholder from the calendar year ended December 31, 2021. Complete information will be computed and reported with your 2021 Form 1099-DIV.

### Additional Portfolio Information

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Fund and one or more of such other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund. Where trades are aggregated, the investments or proceeds, as well as the expenses incurred, will be allocated by the Investment Adviser in a manner designed to be equitable and consistent with the Investment Adviser's fiduciary duty to the Fund and its other clients (including its duty to seek to obtain best execution of client trades).

### Approval of NexPoint Real Estate Strategies Fund Investment Advisory Agreement

The Fund has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Agreement"). The Agreement has been approved by the Fund's Board of Trustees, including a majority of the Independent Trustees. The Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Fund casting votes in person at a meeting called for such purpose.

During a telephonic meeting with the Investment Adviser held on August 12, 2021, and separately with independent counsel on September 1, 2021, the Board of Trustees considered information bearing on the continuation of the Agreement for an additional one-year period. The Board of Trustees further discussed and considered information with respect to the continuation of the Agreement at a Board meeting held on September 16-17, 2021.

At meetings held on October 25, 2021, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreement for a one-year period commencing on November 1, 2021. As part of its review process, the Board of Trustees requested, through Fund counsel and independent legal counsel, and received from the Investment Adviser, various information and written materials, including: (1) information regarding the financial soundness of the Investment Adviser and the profitability of the Agreement to the Investment Adviser; (2) information on the advisory, legal and compliance personnel of the Investment Adviser, including ongoing updates regarding the Highland Capital Management L.P. ("HCMLP") bankruptcy, and compensation arrangements; (3) information regarding Skyview's role as a service provider to the Investment Adviser pursuant to the services agreement between Skyview and the Investment Adviser (the "Skyview Services Agreement") to assist the Investment Adviser in providing certain services to the Fund pursuant to Agreement and Administration Services Agreement between the Investment Adviser and the Fund, as well as information regarding the Investment Adviser's oversight role over Skyview; (4) information on the internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions, conflicts of interest and with respect to cybersecurity, business continuity and disaster recovery; (5) comparative information showing how the Fund's fees and operating expenses compare to those of other accounts of the Investment Adviser, if any, with

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021

investment strategies similar to those of the Fund; (6) information on the investment performance of the Fund, including a comparison of the Fund's performance against that of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of the Fund; (7) information regarding brokerage and portfolio transactions; and (8) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser, including relating to the HCMLP bankruptcy. After the August 2021 meeting and throughout the annual contract renewal process, including at the September 16-17, 2021 Board meeting, the Board of Trustees requested that the Investment Adviser provide additional information and written responses regarding various matters in connection with the Board of Trustees' review and consideration of the Agreement. It was further noted that throughout the process, the Board of Trustees, including separately the Independent Trustees, had also met in executive sessions to further discuss the materials.

In addition, the Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent third-party provider of investment company data, relating to the Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe"). The Board of Trustees also received data relating to the Fund's leverage and distribution rates as compared to its peer group.

The Board of Trustees discussed the materials provided by the Investment Adviser in detail over the course of multiple meetings, including the Investment Adviser's responses to the Board of Trustees' specific written questions, comparative fee and performance information and information concerning the Investment Adviser's business and financial condition. The factors considered and the determinations made by the Board of Trustees in connection with the approval of the renewal of the Agreement with the Investment Adviser are set forth below but are not exhaustive of all matters that were discussed by the Board of Trustees.

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to the Fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to the Fund. The information received and considered by the Board of

NexPoint Real Estate Strategies Fund

Trustees in connection with the October 25, 2021 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Agreement, the detailed information provided by the Investment Adviser and other relevant information. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the effect of the COVID-19 pandemic on the Fund and the industry). Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board of Trustees' ongoing regular review of fund performance and operations throughout the year. The Board of Trustees' conclusions as to the approval of the Agreement were based on a comprehensive consideration of all information provided to the Board of Trustees without any single factor being dispositive in and of itself.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Board of Trustees also met separately without representatives of the Investment Adviser present. The Independent Trustees were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Agreement.

### **The nature, extent, and quality of the services to be provided by the Investment Adviser.**

The Board of Trustees considered the Investment Adviser's services as investment manager to the Fund.

The Board of Trustees considered the portfolio management services to be provided by the Investment Adviser under the Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board of Trustees also considered the relevant experience and qualifications of the personnel providing advisory services, including the background and experience of the members of the Fund's portfolio management team. The Board of Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity management. The

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021

Board of Trustees also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board of Trustees also considered the Investment Adviser's risk management and monitoring processes. The Board of Trustees took into account the terms of the Agreement and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to the Fund and for managing the investment of the assets of the Fund. The Board of Trustees also took into account that the scope of services provided to the Fund and the undertakings required of the Investment Adviser in connection with those services, including with respect to its own and the Fund's compliance programs, had expanded over time as a result of regulatory, market and other developments. The Board of Trustees also considered operational, staffing and organizational changes with respect to the Investment Adviser over the prior year, including in connection with the transitions of certain shared services arrangements and the steps taken by the Investment Adviser to address such transitions, and the fact that there were no material operational or compliance issues with respect to the Fund or decrease in the level and quality of services provided to the Fund as a result. The Board of Trustees also considered the Investment Adviser's regulatory history. The Board of Trustees also considered the Investment Adviser's current litigation matters related to the HCMLP bankruptcy and took into account the Investment Adviser's representation that such matters would not impact the quality and level of services the Investment Adviser will provide to the Fund under the Agreement.

The Investment Adviser's services in coordinating and overseeing the activities of the Fund's other service providers, as well of the services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, were also considered. The Board of Trustees also evaluated the expertise and performance of the personnel of the Investment Adviser who performed services for the Fund throughout the year. They also considered the quality of the Investment Adviser's compliance oversight program with respect to the Fund's service providers. The Board of Trustees also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services that are provided to the Fund and its shareholders by the Investment Adviser and its affiliates, as well as considered the services provided by Skyview to the Investment Adviser under the Skyview Services Agreement. The Board of Trustees noted that the level and quality of services to the Fund by the Investment Adviser and its affiliates had not

NexPoint Real Estate Strategies Fund

been materially impacted by the HCMLP bankruptcy and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, would continue to be provided to the Fund at the same or higher level and quality.

The Board of Trustees also considered the significant risks assumed by the Investment Adviser in connection with the services provided to the Fund, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Fund. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Investment Adviser with respect to the Fund and the other funds in the Highland complex over the years. The Board of Trustees considered the Investment Adviser's financial condition and financial wherewithal. The Board of Trustees also considered the financial condition and operations of the Investment Adviser during the COVID-19 pandemic and noted that there had been no material disruption of the Investment Adviser's services to the Fund and that the Investment Adviser had continued to provide the same level, quality and extent of services to the Fund.

The Board of Trustees also noted that on a regular basis it receives and reviews information from the Fund's Chief Compliance Officer (CCO) regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940. The Board of Trustees also took into account the CCO's ongoing reports concerning the CCO's oversight of the risk assessment processes.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board of Trustees also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board of Trustees concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Agreement, and that the nature and the quality of such advisory services supported the approval of the Agreement.

### **The Investment Adviser's historical performance.**

In considering the Fund's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about the Fund's performance results. The Board of Trustees considered the performance of the Fund as described in the quarterly and other reports prepared by management over the course of the year. The

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021

Board of Trustees noted that the Investment Adviser reviewed with the Board of Trustees on a quarterly basis detailed information about the Fund's performance results, portfolio composition and investment strategies. The Board of Trustees reviewed the historical performance of the Fund over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the historical performance of the Fund and considered the relative performance of the Fund and its portfolio management team as compared to that of the Fund's peer group as selected by FUSE, as well as comparable indices. Among other data, the Board of Trustees also received data with respect to the Fund's leverage, discounts and distribution rates as compared to its peer group.

The Board of Trustees also reviewed and considered the FUSE report, which provided a statistical analysis comparing the Fund's investment performance, expenses and fees to those of comparable funds for various periods ended June 30, 2021 and management's discussion of the same, including the effect of current market conditions on the Fund's more-recent performance. The Board of Trustees also received a review of the data contained in the FUSE report from representatives of FUSE. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular that the data may vary depending on the end date selected and the results of the performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the category in which the Fund was placed for comparative purposes, including any differences between the Fund's investment strategy and the strategy of the funds in the Fund's respective category, as well as compared to the peer group selected by FUSE. The Board of Trustees also took into account its discussions with management over the course of the year regarding factors that contributed to the performance of the Fund, including presentations with the Fund's portfolio managers.

Among other data relating specifically to Fund's performance, the Board of Trustees took note of FUSE's explanatory note that the peer group consists of real estate interval funds with similar pricing characteristics, excluding outliers. The Board of Trustees further noted that NRESF underperformed the MSCI US REIT Index over the one- and three-year periods ended June 30, 2021. The Board of Trustees also considered that the NRESF outperformed its peer group median over the one-year period and underperformed compared to its peer group median over the three-year period. The Board of Trustees took into account the Investment Adviser's discussion of the Fund's performance.

NexPoint Real Estate Strategies Fund

The Board of Trustees concluded that the Fund's overall performance and other relevant factors, including the Investment Adviser's actions to address any under-performance, supported the continuation of the Agreement with respect to the Fund for an additional one-year period.

### **The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from the relationship with the Fund.**

The Board of Trustees also gave consideration to the fees payable under the Agreement, the expenses the Investment Adviser incur in providing advisory services and the profitability to the Investment Adviser from managing the Fund, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreement versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund and (b) the expense ratios of the Fund versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund; and (4) information regarding the total fees and payments received and the related amounts waived and/or reimbursed by the Investment Adviser for providing administrative services with respect to the Fund under separate agreements and whether such fees are appropriate.

Among other data, the Board of Trustees considered that the total net expenses were higher than its peer group median and that its advisory fee was equal to its peer group median. The Board of Trustees also took into account management's discussion of the Fund's expenses and the amounts waived and/or reimbursed by the Investment Adviser.

The Board of Trustees also considered the so-called "fall-out benefits" to the Investment Adviser with respect to the Fund, such as the reputational value of serving as Investment Adviser to the Fund, potential fees paid to the Investment Adviser's affiliates by the Fund or portfolio companies for services provided, including administrative services provided to the Fund by the Investment Adviser pursuant to separate agreements, the benefits of scale from investment by the Fund in affiliated funds, and the benefits of research made available to the Investment Adviser by reason of brokerage commissions (if any) generated by the Fund's securities transactions. The Board of Trustees concluded that the benefits received by the Investment Adviser and its affiliates

## ADDITIONAL INFORMATION (unaudited) (concluded)

December 31, 2021

were reasonable in the context of the relationship between the Investment Adviser and the Fund.

After such review, the Board of Trustees determined that the profitability to the Investment Adviser and its affiliates from their relationship with the Fund was not excessive.

### **The extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of shareholders.**

The Board of Trustees also considered the effect of the Fund's growth in assets under management on its fees. The Board of Trustees noted that while the Fund does not currently contain breakpoints in its advisory fee schedules, the Fund does benefit from a waiver of a portion of its advisory and administration fees, which the Investment Adviser believes can be more effective than breakpoints at controlling overall costs borne by shareholders and the Board of Trustees took into account management's discussion of the same. Among other data, the Board of Trustees examined the effect of the Fund's growth in assets under management on various fee schedules and reviewed the FUSE report, which compared fees among peers. The Board of Trustees also generally noted that, if the Fund's

NexPoint Real Estate Strategies Fund

assets increase over time, the Fund may realize other economies of scale if assets increase proportionally more than certain other fixed expenses. The Board of Trustees concluded that the fee structures are reasonable, and with respect to the Investment Adviser, should result in a sharing of economies of scale in view of the information provided. The Board of Trustees determined to continue to review the ways and extent to which economies of scale might be shared between the Investment Adviser, on the one hand, and shareholders of the Fund, on the other.

### **Conclusion.**

Following a further discussion of the factors above, it was noted that in considering the approval of the Agreement, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all factors and considerations, including those discussed above, the Board of Trustees, including separately, the Independent Trustees, unanimously agreed that the Agreement, including the advisory fee to be paid to the Investment Adviser, is fair and reasonable to the Fund in light of the services that the Investment Adviser provides, the expenses that it incurs and the reasonably foreseeable asset levels of the Fund.

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021  
Trustees and Officers

NexPoint Real Estate Strategies Fund

### Trustees and Officers

The Board is responsible for the overall management of the Fund, including supervision of the duties performed by the Investment Adviser. The names and birth dates of the Trustees and officers of the Fund, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships they hold are shown below. The business address for each Trustee and officer of the Fund is c/o Highland Capital Management Fund Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, TX 75201.

The “Fund Complex,” as referred to herein consists of: each series of Highland Funds I (“HFI”), each series of Highland Funds II (“HFII”), Highland Global Allocation Fund (“GAF”), Highland Income Fund (“HFRO”), NexPoint Diversified Real Estate Trust (“NXDT”) (formerly NexPoint Strategic Opportunities Fund), NexPoint Real Estate Strategies Fund (“NRESF”), and NexPoint Capital, Inc. (the “BDC”), a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act.

<u>Name and Date of Birth</u>	<u>Position(s) with the Trust</u>	<u>Term of Office<sup>1</sup> and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by the Trustee</u>	<u>Other Directorships/Trusteeships Held During the Past Five Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
<b>Independent Trustees</b>						
Dr. Bob Froehlich (4/28/1953)	Trustee	Indefinite Term; Trustee since March 2016.	Retired.	9	Director of KC Concessions, Inc. (since January 2013); Trustee of Realty Capital Income Funds Trust (from January 2014 to December 2016); Director of American Sports Enterprise, Inc. (since January 2013); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); Director of AXAR Acquisition Corp. (formerly AR Capital Acquisition Corp.) (from October 2014 to October 2017); Director of The Midwest League of Professional Baseball Clubs, Inc.; Director of Kane County Cougars Foundation, Inc.; Director of Galen Robotics, Inc.; Chairman and Director of FC Global Realty, Inc. (from May 2017 to June 2018); and	Significant experience in the financial industry; significant managerial and executive experience; significant experience on other boards of directors, including as a member of several audit committees.

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021  
Trustees and Officers

NexPoint Real Estate Strategies Fund

<u>Name and Date of Birth</u>	<u>Position(s) with the Trust</u>	<u>Term of Office<sup>1</sup> and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by the Trustee</u>	<u>Other Directorships/Trusteeships Held During the Past Five Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
<b>Independent Trustees</b>						
Ethan Powell (6/20/1975)	Trustee; Chairman of the Board	Indefinite Term; Trustee since March 2016; Chairman of the Board since March 2016.	Principal and CIO of Brookmont Capital Management, LLC since May 2020; CEO, Chairman and Founder of Impact Shares LLC since December 2015; Trustee/Director of the Fund Complex from June 2012 until July 2013 and since December 2013; and Director of Kelly Strategic Management since August 2021.	9	Chairman; Director of First Capital Investment Corp. (from March 2017 to March 2018); and Director and Special Advisor to Vault Data, LLC (since February 2018).  Trustee of Impact Shares Funds I Trust	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Fund Complex; significant administrative and managerial experience.
Bryan A. Ward (2/4/1955)	Trustee	Indefinite Term; Trustee since March 2016.	President, CrossFirst Bank Dallas since March 2021; Senior Advisor, CrossFirst Bank (from April 2019 to March 2021); Private Investor since 2015.	9		Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Fund Complex; significant administrative and managerial experience.

## ADDITIONAL INFORMATION (unaudited) (continued)

December 31, 2021  
Trustees and Officers

NexPoint Real Estate Strategies Fund

<u>Name and Date of Birth</u>	<u>Position(s) with the Trust</u>	<u>Term of Office<sup>1</sup> and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Number of Portfolios in the Fund Complex Overseen by the Trustee</u>	<u>Other Directorships/Trusteeships Held During the Past Five Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
<b>Independent Trustees</b>						
Pamela Corrie <sup>2</sup> (1/1/1958)	Trustee	Indefinite Term; Trustee since January 2022.	Managing Director of Carl Marks Advisors since February 2018; Vice President of Strategic Planning of BVS Acquisition Co.LLC (from September 2020 to December 2021); Independent Manager of YouFit Health Clubs (from May 2020 to October 2021); Chief Restructuring Officer of ABC Carpet and Home (from June 2017 to May 2019); and Managing Director and Chief Executive Officer of Epiq Systems (from April 2015 to November 2016).	8	Director of Prescient Co Inc. since November 2021; Director of AM Castle since February 2021; Director of Katerra, Inc. (from September 2020 to October 2021); Director of Le Tote/Lord & Taylor (from March 2020 to March 2021); Director of Tempel Steel Company (from June 2020 to February 2021); Director of Pier 1 Imports, Inc. (from January 2020 to October 2020); Director of Sustainable Restaurant Group (from April 2020 to September 2020); and Director of Tristrata Group (from May 2019 to July 2019).	Significant experience on other boards of directors; significant managerial and executive experience; significant legal and restructuring experience.
<b>Interested Trustee</b>						
John Honis (6/16/1958)	Trustee	Indefinite Term; Trustee since March 2016.	President of Rand Advisors, LLC since August 2013.	9	Manager of Turtle Bay Resort, LLC (August 2011 – December 2018);	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.

<sup>1</sup> On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. The Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.

<sup>2</sup> Pamela Corrie was appointed as Independent Trustee effective January 1, 2022.

## ADDITIONAL INFORMATION (unaudited) (concluded)

December 31, 2021  
Trustees and Officers

NexPoint Real Estate Strategies Fund

Name and Date of Birth	Position(s) held with the Trust and Length of Time Served, Term of Office	Principal Occupation(s) During Past Five Years
<b>Officers</b>		
James Dondero (6/29/1962)	President and Principal Executive Officer since March 2016; Indefinite Term.	Founder of NexPoint; Co-founder of HCMLP and HCMFA; Chairman of the Board of NexPoint Residential Trust, Inc. since 2015; NexPoint Hospitality Trust, NexPoint Real Estate Finance, Inc., Texmark Timber Treasury, L.P., Metro-Goldwyn-Mayer and SeaOne Holdings, LLC; Portfolio Manager of NXDT, GAF, HFRO, NexPoint Even Driven Fund (formerly Highland Healthcare Opportunities Fund) and NexPoint Merger Arbitrage Fund (each a series of HFI); Highland Small-Cap Equity Fund (series of HFII); the BDC; and NRESF.
Dustin Norris (1/6/1984)	Executive Vice President since April 2019; Indefinite Term.	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Officer of the Fund Complex since November 2012.
Frank Waterhouse (4/14/1971)	Treasurer since March 2016; Principal Financial and Accounting Officer since April 2021; Indefinite Term.	Chief Financial Officer of Skyview Group since February 2021; Chief Financial Officer and Partner of HCMLP from December 2011 and March 2015, respectively, to February 2021; Treasurer of the Fund Complex since May 2015.
Will Mabry (7/2/1986)	Assistant Treasurer since April 2021; Indefinite Term.	Director, Fund Analysis of Skyview Group since February 2021. Prior to his current role at Skyview Group, Mr. Mabry served as Senior Manager — Fund Analysis, Manager — Fund Analysis, and Senior Fund Analyst for HCMLP.
Stephanie Vitiello (6/21/1983)	Secretary since April 2021; Chief Compliance Officer and Anti-Money Laundering Officer since November 2021; Indefinite Term.	Chief Compliance Officer and Counsel of Skyview Group since February 2021. Prior to her current role at Skyview Group, Inc., Ms. Vitiello served as Managing Director — Distressed, Assistant General Counsel, Associate General Counsel and In-House Counsel for HCMLP.
Rahim Ibrahim (8/17/1989)	Assistant Secretary since November 2021; Indefinite Term.	Compliance Analyst for Skyview Group since May 2021. Prior to his current role at Skyview Group, Mr. Ibrahim served as a Compliance Associate for Loring, Wolcott & Coolidge Trust, LLC from October 2019 until May 2021; Corporate Paralegal at Maples Group from April 2018 to October 2019; Associate Engagement Specialist-Compliance at Eze Software Group from June 2017 to April 2018.

## IMPORTANT INFORMATION ABOUT THIS REPORT

### **Investment Adviser**

NexPoint Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

### **Transfer Agent**

DST Systems, Inc.  
210 W 10th, 8th Floor  
Kansas City, MO 64105

### **Custodian**

The Bank of New York Mellon  
240 Greenwich Street  
New York, New York 10286

### **Independent Registered Public Accounting Firm**

Cohen & Company, Ltd.  
1350 Euclid Ave., Suite 800  
Cleveland, OH 44115

### **Fund Counsel**

K&L Gates LLP  
1 Lincoln Street  
Boston, MA 02111

This report has been prepared for shareholders of NexPoint Real Estate Strategies Fund (the “Fund”). As of January 1, 2021, paper copies of the Fund’s shareholder reports will no longer be sent by mail. Instead, the reports will be made available on <https://www.nexpoint.com/nexpoint/funds/interval-funds/nexpoint-real-estate-strategies-fund/>, and you will be notified and provided with a link each time a report is posted to the website. You may request to receive paper reports from the Fund or from your financial intermediary free of charge at any time. For additional information regarding how to access the Fund’s shareholder reports, or to request paper copies by mail, please call shareholder services at 1-844-485-9167.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, and the Fund’s proxy voting records for the most recent 12-month period ended December 31, are available (i) without charge, upon request, by calling 1-844-485-9167 and (ii) on the SEC’s website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT within sixty days after the end of the period. The Fund’s Forms N-PORT are available on the SEC’s website at <http://www.sec.gov> and also may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-PORT by visiting the Fund’s website at [www.nexpoint.com](http://www.nexpoint.com).

As required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund’s principal executive officer and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-PORT relating to, among other things, the Fund’s disclosure controls and procedures and internal controls over financial reporting, as applicable.

The Statement of Additional Information includes additional information about the Fund’s Trustees and is available upon request without charge by calling 1-844-485-9167.

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**NEXPOINT**

ADVISORS

**NexPoint Real Estate Strategies Fund**  
**c/o DST Systems, Inc.**  
**P.O. Box 219630**  
**Kansas City, MO 64121-9630**

**NexPoint Real Estate Strategies Fund**

Annual Report, December 31, 2021

[www.nexpointgroup.com](http://www.nexpointgroup.com)

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